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EXPLANATORY NOTES

FOR

DEPARTMENT OF AGRICULTURE

BUDGET ESTIMATES

FISCAL YEAR

1941

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(Volume 4)

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SOIL CONSERVATION SERVICE

(a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1940	$552,050
Budget Estimate, 1941.....	553,138
Increase.....	1,088

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
General administration and business expense.....	$549,045	$552,050	$550,000	- $2,050 (1)
Additional for administrative promotions.....	---	---	3,138	+ 3,138 (2)
Unobligated balance.....	3,005	---	---	---
Total appropriation....	552,050	552,050	553,138	+ 1,088

INCREASE OR DECREASE

The net increase of $1,088 in this item for 1941 consists of:

(1) A decrease of $2,050, to be net through curtailment of expenses in the Washington office.

(2) $3,138 additional estimated for administrative promotions in accordance with the plan which is being uniformily applied in the budget estimates for 1941.

WORK UNDER THIS APPROPRIATION

This appropriation provides for the offices of the Chief, Assistant Chief, and Assistant Chief in Charge of Administration; and for the salaries and expenses in Washington for the Divisions of Personnel Management, Service Operations, and Budget and Finance. It also provides for general direction and supervision by the Washington Office of all such lines of work in the field.

SUPPLEMENTAL FUNDS

Projects	Obligated, 1939	Estimated Obligations, 1940
Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.): For administrative expenses in connection with soil conservation projects.....	$50,284	$26,000

(b) SOIL AND MOISTURE CONSERVATION AND LAND-USE INVESTIGATIONS

Appropriation Act, 1940	$1,631,185
Budget Estimate, 1941	1,506,960
Decrease	- 124,225

PROJECT STATEMENT

Projects	1939	1940	1941	Increase or decrease
1. Investigations of the principles involved in soil and moisture conservation and methods for their practical application on the farm	$625,405	$632,504	$602,319	-$30,185(1)
2. Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods	485,013	490,518	423,018	-67,500(1)
3. Investigations of sedimentation resulting from erosion	102,793	103,960	93,960	-10,000(1)
4. Investigations of geographic and climatic factors related to erosion	86,553	87,535	81,035	-6,500(1)
5. Investigations of the economics of soil and water conservation	96,941	98,042	89,542	-8,500(1)
6. Investigations of erosion-resisting plants of economic value	96,941	98,042	89,542	-8,500(1)
7. Farm irrigation investigations	84,584	85,544	85,544	---
8. Farm drainage investigations	34,647	35,040	35,040	---
Additional for administrative promotions	---	---	6,960	+6,960(2)
Unobligated balance	18,308	---	---	
Total	1,631,185	1,631,185	1,506,960	-124,225

INCREASES OR DECREASES

The net reduction of $124,225 in this item for 1941 consists of:

(1) A decrease of $131,185 distributed among projects 1 to 6. This reduction will be met through curtailment in employment of personnel and other expenses both in the field and in Washington, apportioned among the various projects as shown in the above table.

(2) $6,960 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the budget estimates for 1941.

WORK UNDER THIS APPROPRIATION

General.--This appropriation provides for research and investigations into the character, cause, extent, history, and effects of soil and water depletion and methods for soil and water conservation. These investigations are fundamental to the development of practical and effective measures that will maintain the land or restore it to a usable and profitable condition. The work is carried forward under eight financial projects, as follows:

1. Investigations of the principles involved in soil and moisture conservation and methods for their practical application on the farm.--Investigations are carried out under this project to discover and test principles and practices of agricultural land use necessary to conserve and utilize the soil and water resources of the Nation. These studies are directed toward furnishing the basic information upon which to build a permanent system of agriculture. The work is centered at a number of selected soil and water conservation experiment stations and laboratories, located upon land typical of extensive areas of erodible soils and broad climatic zones subject both to wind and water erosion. The plan of work covers not only the technical investigations of the cause of and remedies for soil erosion but also the practical and inexpensive field application of control measures. As soon as a promising practice has been developed and tested on an experiment station, it is given further trial on operation projects and finally made available to farmers through the Division of Information, soil conservation districts, and the Extension Service in the areas to which it is applicable.

Past work at the experiment stations has formed a basis for much of the erosion-control work of the Soil Conservation Service on demonstration projects and on entire watershed areas. Records of soil and water losses under different types of treatment give clear proof of the remarkable efficiency of close-growing vegetation in reducing erosion and increasing the permeability of the soil for water. Here for the first time research methods are applied to the diverse problems of stabilizing soils of different types under a variety of crops. The success obtained has been due to the coordinated plan of attack, involving the cooperation of interested bureaus in the Department of Agriculture and of the State experiment stations.

The programs of these stations are as complete as funds permit, and a variety of physical and chemical problems are under investigation in an attempt to correlate various soil and climatic factors. Investigations of this type require time but important results have already been published in mimeographed reports, printed bulletins, and news releases. (The facilities of these stations are made available for the work under the other financial projects, particularly "Watershed investigations of the effect of land-use practices on run-off as related to the methods of control of erosion and floods").

Some of the more immediately applicable investigations are: (a) Studies to determine the quantities of soil and water being lost under different farming practices and for different climatic, topographic, and soil conditions in the various agricultural regions, including determination of the principal

causes of such losses and the development and testing of practical agronomic and engineering methods for their control and prevention; (b) investigations into the vegetative protection of eroded soils; and (c) evaluation studies through observation surveys, practical tests, and field trials upon selected farm sites in problem areas.

2. Watershed investigations of the effect of land-use practices on run-off as related to the methods of control of erosion and floods.--Work under this project consists of the following investigations:

(a) Experimental determination of the influence of erosion-control and land-use practices on floods and soil and water conservation over entire watersheds.

Investigations are made of the action of water from the time it reaches the ground as precipitation until it leaves the watershed as surface or underground flow. The effects of physical characteristics of the experimental watersheds that affect run-off and flood flow, such as soil, topography, size, slope, drainage pattern, vegetal cover, surface and underground storage, tillage methods, and erosion-control practices, are evaluated. These intensive investigations are now being conducted on four Experimental Watersheds. These are located at: Coshocton, Ohio: Waco, Texas; Hastings, Nebraska; and Mexican Springs, New Mexico.

(b) Determination of rates and amounts of run-off from watersheds located in the important agricultural areas of the United States, for use in the economic design of erosion and flood control measures, and of the hydraulic structures used in conservation operations.

The practical application of the results of the experimental work are extended geographically through studies conducted on small agricultural watersheds throughout the country. The results obtained on these small watersheds are interpreted and extended for application to larger watersheds. All data obtained are immediately placed at the disposal of the field projects of the Soil Conservation Service so that they may be used in the improvement of the erosion and flood control measures recommended by these projects.

(c) Investigations in the hydraulics of soil and water conservation and the development of economical hydraulic systems for removing and disposing of the run-off from farm lands.

For these investigations an outdoor hydraulic laboratory has been established near Spartanburg, S. C., and studies are here being made to improve and reduce the cost of the channels and structures used by the Soil Conservation Service in controlling the erosion from farm lands. Additional studies on the protection of conservation channels are being conducted in cooperation with the California Institute of Technology, and in cooperation with the National Bureau of Standards, instruments are being developed for use in conservation research. Arrangements are also being made for a cooperative study of erosion control structures and channels at the University of Minnesota.

3. Investigations of sedimentation resulting from erosion.--It is recognized that accelerated soil erosion produces abnormal quantities of silt, sand, and gravel which are carried from fields and deposited at lower levels. The resulting accumulations of sediment cause impairment of drainage and the fertility of soils on the lower slopes of fields and on agricultural bottomlands; they cause abnormally rapid filling of stream channels and reservoirs, with consequent damage to water supply, water power, irrigation, drainage, navigation, and flood-control developments.

The research work under this project covers a complete study of the debris resulting from soil erosion after it enters the drainage and river systems of the country. It is fundamental in carrying out that part of the Soil Conservation Act which reads "and thereby to preserve natural resources, control floods, prevent impairment of reservoirs, and maintain the navigability of rivers and harbors, protect public health....". The work consists, first, of the collection of data that will complete the information needed to evaluate the damage caused by erosion to the land itself and to the downstream resources, and, secondly, the use of these data in the developing of empirical methods for the control of this erosional debris, and thereby reducing its damaging effects and possibly making beneficial use of it, and their further use in the search for the underlying natural laws governing the removal and transportation of soil by water, now unknown to science and engineering.

These investigations are designed to furnish (a) information on the damage done by sediment, as well as the magnitude of potential damage to be expected if present practices are continued; (b) a measure of the relative needs of the different watersheds for erosion control and readjustments in land use from the standpoint of protecting developed water storage, flood-control improvements and investments in agricultural land subject to damage from erosional debris; (c) further knowledge of the natural laws governing the erosion of soil by water; and (d) assistance in developing economical methods of preventing damage to valley agricultural lands and to many valuable developments and resources.

4. Investigations of the geographic and climatic factors related to erosion.--Erosion-control measures are not universally applicable under all environmental conditions. Those which are successful in the Piedmont may fail completely if applied in the Southwestern States. It is, therefore, necessary to study in detail the climatic and geographic factors which cause these regional differences. The following studies necessary to evaluate the factors concerned are carried out under this project:

(a) Climatic research: This includes the study and examination of rainstorms and their classification into types to show the manner in which they contribute to soil erosion and flood formation. It also includes studies of evaporation and the development of methods for determining moisture losses from land surfaces by evaporation and transpiration.

Climatic conditions affect not only the distribution of vegetation and the formation of the major soil groups but also the type and intensity of soil erosion. For this reason studies have been initiated to delimit

accurately the climatic regions of the country to serve as units for the study of erosion hazards; to determine the extent and distribution of the climatic factors which cause soil erosion, such as the frequency of storms and rainfall of varying and dangerous sizes and intensities; and the expectancy of climatic hazards, such as drought. This work is carried on in cooperation with the Weather Bureau and is supplemental to their studies.

(b) Physiographic research: Field studies of the geologic processes involved in erosion (such as the mechanics of gully cutting, sheet wash, and wind erosion and the relation of these processes to the character of the bed rock, soil type, climate, vegetation, and previous use of the land) are being initiated in several of the climatic regions of the country. For each of these it is necessary to develop a specific set of standards for rapid diagnosis of the stage of erosion or recovery and for estimating the effectiveness of control measures.

(c) Erosion history studies: Through research in erosion history it is becoming possible to determine the cause and rate of erosion due to man's use as contrasted to geologic norms of erosion and to assemble the results of past experience of practical farmers in erosion control. Modern controlled experimentation should begin at the point where experiences ends. In all sections of our country erosion followed almost immediately upon settlement. Progressive farmers recognized the evil and, in many cases, tried farm practices which appeared adapted to their individual erosion problem. Records of their experience form the largest mass of erosion-control literature available today. Nature, too, has supplied means for controlling even the most malignant types of erosion through use of vegetative covers. Erosion-resisting plants have been introduced from Africa, Asia, and South America. A systematic examination of the literature of foreign regions which have climatic and physiographic conditions similar to those in our own country enables us to locate new plants adapted to erosion control and to capitalize on the experience which foreign countries have acquired during their longer agricultural histories. Through systematic search of old journals and newspapers, the relation of changing land use to erosion and floods is determined. Results of the above studies affect economies through avoiding unnecessary and expensive experimentation.

5. Investigations of the economics of soil and water conservation.--The work under this project is designed to develop an economic appraisal of the current soil conservation program and to provide suggestions for its improvement.

This appraisal is developed through a determination of the changes in the organization, operation, and ownership of farms, ranches, and other farming units, and in the income and standards of living of their operators resulting from or associated with erosion or an erosion control program, as well as from the effect of the latter agencies on non-agricultural individuals, institutions, and communities. Furthermore, this appraisal involves a determination of the damage sustained by the public due to the destruction of land by erosion and the accumulation of erosional debris on roads, in streams, and in reservoirs; the cost to the public of erosion control; and, finally, a measurement of the public benefits to be gained from a coordinated program of soil and water conservation.

These studies are carried out in cooperation with the Bureau of Agricultural Economics, the State agricultural experiment stations, and other appropriate bureaus and agencies; with farmers both within and without the soil conservation demonstration, camp, and other work areas, such as soil conservation districts; and with individuals and organizations qualified to furnish information leading to the evaluation contemplated.

These investigations are necessary in order to provide much needed information, for which there is continuing and growing demand, for the workers in the Soil Conservation Service and in allied fields, for the guidance of those formulating the programs of new soil conservation districts, for other types of land use planning, for farmers, and for all those interested in the question as to how far a soil and moisture conservation program is economically feasible and how its cost may be justly distributed among its beneficiaries under different conditions of soil, slope, severity of erosion, cost of control, land value, potential income, market prices, and other limiting factors.

6. Investigations of erosion-resisting plants of economic value.--The work under this project aims to improve erosion-control vegetation for safe and profitable use on sloping agricultural land through research done in cooperation with other Departmental agencies and the State agricultural experiment stations. Permanent and effective erosion control is accomplished largely by establishing and maintaining perennial vegetative cover on soils subject to erosion. Many millions of acres of agricultural land must be retired from clean-tilled cultivation incident to accomplishing the national program of soil and water conservation. The annual cash returns from uncultivated vegetation, such as ordinary forest cover or pasture, are frequently not sufficiently high to justify the average farmer in discontinuing cultivation to the extent called for in the erosion-control plans. Consequently an urgent need exists to find new and economically profitable plant covers preeminently adapted to erosion-control purposes on this retired land.

A serious erosion problem which existed in the Dutch East Indies was overcome by research development of highly improved selections of crop-producing shrubs, trees, and perennial groundcovers, grown under a system of scientific soil-saving farming known as bergculture or hillculture. This system was developed to meet conditions in the tropics, but hillculture principles can be applied to the United States through study and experimentation.

The purpose of these investigations is to find superior types of erosion-resisting plants having high actual or potential economic possibilities; to work with and test combinations of these plants for adapting them to erosion-control land use in the different climatic regions, soil and sites; to determine the economic uses and values of these plants and secure their improvement through selection and breeding, if necessary; and to perfect economical methods of propagating, managing, and utilizing the selected strains. Plants for new and desirable human foods, such as improved nuts and wild fruits, offer sound possibilities for hillculture development, while numerous other erosion-control plants may produce commercial products having a wide variety of uses. The plan of work calls for three primary and interdependent steps in cooperative research, as follows:

(1) The first step is exploratory investigation to orient the cooperative plant research in relation to erosion-control requirements. The established facts on erosion-controlling economic plants need to be collected and synthesized; plant strains having promise for hillculture purposes need to be found and evaluated; and erosion-control standards need to be developed as specifications to guide the research done by cooperating agencies for the improvement, profitable use, and proper management of these plants and plant covers.

(2) The second phase of the research, done through direct cooperation with the State agricultural experiment stations, is to conduct systematic hillculture field tests and management studies. As rapidly as promising hillculture plants are found tests to determine the range of climatic adaptation are made in cooperation with all State experiment stations and other cooperating agencies. Intensive tests of integrated erosion-control covers are made at selected stations representing erosion-control conditions over a wide region. These detailed tests relate both to determination of erosion-control effects and economic production of the selected and managed vegetation growing on sloping lands.

(3) The third phase of these investigations relates to improving the erosion-control qualities of promising hillculture plants. Quick and cheap cultural methods of propagating the selected strains from vegetative parts are used so that the superior qualities are retained by the progeny and planting stock made available at reasonable cost. The research on this phase of the project is conducted in cooperation with the Bureau of Plant Industry.

7. Farm Irrigation Investigations.--The work under this project consists of the development of more efficient and effective practices in farm irrigation in its relationship to soil and moisture conservation and proper land use. The work includes investigating and reporting upon the best methods of conserving and applying irrigation water to the fields so as to provide an adequate supply for plant growth without creating an erosion hazard; ways and means of decreasing losses of water between the source of supply and point of application; development of apparatus for accurately measuring the quantity of water delivered to the farmer and of means for securing the economical conveyance of irrigation water; study of pumps and pumping equipment for lifting water for irrigation and drainage; storage of water to prevent soil erosion and provide irrigation supplies; and development of diversion dams and desilting works and devices that will make it possible to turn flood waters, which would otherwise be lost, directly into irrigation canals. Investigations and reports are made upon the customs, regulations, laws, and methods affecting farm irrigation.

Snow surveys for the purpose of forecasting irrigation water supplies are also made. This work is of great importance to the irrigation farmer whose source of supply is mountain snowfall. It enables him to adapt his cropping program to the amount of water which will be available during the growing season and thus avoid the loss of both seed and labor. Water shortages can be predicted before they occur and cropping plans can be made before planting time to fit the water situation.

8. Farm Drainage Investigations.--The work under this project consists of the development of better methods and materials for the drainage of agricultural lands, the improvement of equipment used in constructing drainage works, and the development of more effective and efficient methods of maintaining drainage improvements in relation to soil and moisture conservation and proper land use. Investigations and reports are made upon the laws, regulations, and methods affecting drainage with the view of developing cheaper methods of organizing, administering, and maintaining drainage enterprises. Basic hydraulic information is being developed which when applied to the design of drainage ditches, tile drains, and pumping plants will result in greater efficiency and reduced costs.

SUPPLEMENTAL FUNDS

Projects	Obligated, 1939	Estimated obligations, 1940
Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.): Investigations of erosion-resisting plants of economic value.....	$24,538	$12,688
Emergency Relief, Agriculture, Soil Conservation Service (Transfer from W.P.A.):		
Investigations of the principles involved in soil and moisture conservation and methods for their practical application on the farm	89,367	44,300
Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods..	113,757	56,380
Investigations of sedimentation resulting from erosion	39,842	19,750
Investigations of geographic and climatic factors related to erosion.....	40,244	19,949
Investigations of the economics of soil and water conservation.....	51,898	25,726
Investigations of erosion-resisting plants of economic value.....	52,239	25,895
Total, as above.....	387,327	192,000
Total, Supplemental Funds	411,865	204,688

(c) SOIL AND MOISTURE CONSERVATION AND LAND-USE OPERATIONS, DEMONSTRATIONS, AND INFORMATION

Appropriation Act, 1940	$21,462,349
Budget Estimate, 1941	18,059,722
Decrease	-3,402,627

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps, and other Federal and State agencies:				
a. Physical land surveys outside districts and demonstration areas to serve as basis of land-use reorganization, including all cartographic and multilithing activities necessary to map reproduction	$658,119	$752,992	$700,000	- $52,992(1)
b. Soil and moisture conservation operations by means of demonstration projects in agricultural and erosion regions	9,659,653	5,250,969	4,300,000	-950,969(1)
c. Soil and moisture conservation operations (Federal aid) in cooperation with soil conservation districts established under State laws	3,123,734	7,791,307	6,291,307	-1,500,000(1)
d. Technical cooperation with Civilian Conservation Corps camps and other Federal and State agencies	2,596,183	3,273,406	3,000,000	-273,406(1)
Total, Project 1	16,037,689	17,068,674	14,291,307	-2,777,367(1)

PROJECT STATEMENT continued

Projects	1939	1940 (Estimated	1941 (Estimated)	Increase or decrease
2. Soil and moisture conservation operations on watersheds largely owned or controlled by the Government.....	3,502,912	2,971,953	2,501,103	-470,850(1)
3. Operation of erosion nurseries for the propagation of plants for use in soil and moisture conservation operations.....	1,267,843	1,287,572	1,068,340	-219,232(1)
Allotment to Solicitor's office.....	---	36,150	30,000	-6,150(1)
Allotment to Bureau of Agricultural Economics.....	45,000	98,000	75,000	-23,000(1)
Additional for administrative promotions...	---	---	93,972	+93,972(2)
Unobligated balance	563,681	---	---	---
Total.....	21,417,125(a)	21,462,349	18,059,722	-3,402,627

(a) Exclusive of the following allotments to:

Coast and Geodetic Survey	$35,500
Bureau of Standards	1,000
War Department, Air Corps.....	4,000
Rent of Buildings, Department of Agriculture.....	4,724
Total.....	$45,224

INCREASE OR DECREASE

The net reduction of $3,402,627 in this item for 1941 consists of:

(1) A decrease of $3,496,599 in soil conservation operations, to be met by reductions in the field and in Washington, apportioned among the projects as shown in the project statement.

(2) $93,972 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the budget estimates for 1941.

WORK UNDER THIS APPROPRIATION

1. General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps., and other Federal and State agencies.--This project is subdivided into the four following work projects under which work of each is set forth:

(a) Physical land surveys outside district and demonstration areas to serve as the basis of land-use reorganization, including all cartographic and multilithing activities necessary to map reproduction.--This project involves field mapping, the preparation for and publication of soil conservation surveys.

The field surveys consist of mapping four physical land factors, namely, soil type, nature, degree, extent and distribution of water and wind erosion; percentage of slope; and the present utilization of the land. These four factors are utilized as a basis for the determination of land use capabilities which will conserve soil and water resources.

The surveys are fundamental to a proper determination of sites for research and demonstrations, and to an understanding of the nature, extent and distribution of the problems of soil erosion and water conservation and are essential to the development of plans involving the initiation and completion of soil and moisture conservation operations.

Detailed soil conservation surveys carried out on individual farms, ranches or orchards, necessary in the preparation of reorganized farm plans for soil and moisture conservation on approved demonstration projects, CCC camp areas, legally-constituted soil conservation districts, and water facilities and flood control projects, are not included under this project, since the cost of such work is properly chargeable against the respective project expenditures. However, the character of these surveys is similar to those carried on outside project areas and, should an operations program be developed in an area which has been previously surveyed, the original survey is utilized without duplication.

Mapping in the field is done on aerial photographs which are obtained by letting contracts or borrowing negatives from other agencies. Field maps are prepared for publication by compilation of a controlled base map upon which field information and culture are transferred. The detailed survey maps are reproduced by multilithing and distributed along with printed reports.

The lack of adequate information as to the nature and extent of erosion, the kinds of and productivity of the soils, and the slope of the land, in continental United States and its insular possessions shows the great need of this work for the development of operations programs. The general reconnaissance erosion survey made in the fiscal year 1935 at the request of the National Resources Committee gave a very general picture of the problem, and this project has been utilized to bring out detailed survey information to show the character and seriousness of erosion and the need for soil and water conservation throughout the nation.

The surveys and reports are completed in cooperation with other Federal and State agencies and are available for use by all organizations interested in plans and programs for improving agricultural conditions.

(b) Soil and moisture conservation operations by means of demonstration projects in agricultural and erosion regions.--This project consists of establishing projects in selected areas typical of agricultural regions seriously affected by erosion and development and carrying out of a complete soil and moisture conservation and run-off retardation program for each cooperating farm within these areas. The purpose of such projects is to demonstrate practical and effective methods and practices for soil and water conservation under a proper land-use program. An educational program is carried out in cooperation with the Agricultural Extension Service so that information concerning the beneficial results of these demonstrations is brought to the attention of the public particularly in farming communities.

Under this project, in cooperation with the Division of Research, evaluation surveys are made (1) to determine the effectiveness and practicability of different erosion control practices and combinations of practices, (2) to provide facts which will aid in improving practices and formulating plans for soil and water conservation, and (3) to furnish accurate and needed information for statistical purposes.

(c) Soil and Moisture conservation operations (Federal aid) in cooperation with conservation districts established under State laws.--This project consists of the furnishing of cooperation to soil conservation districts established under State legislation. This cooperation consists of the making of surveys of the physical land factors, the making of soil conservation plans for individual farms, based upon such surveys, and in some cases the furnishing of planting materials, the loaning of equipment and other similar types of assistance.

States which have enacted soil conservation district laws to November 15, 1939 are Alabama, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indiana, Illinois, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wisconsin.

The districts organized under this legislation are created as Governmental subdivisions of the State with authority to carry on soil conservation operations, cooperate with and receive assistance from State and Federal agencies, and in practically all of the States, to adopt and enforce land-use regulations. The districts organized to date involving a total acreage of 116,893,464 are averaging approximately 540,000 acres in area. Through furnishing technical planning and supervision to these districts, it is possible to secure widespread application of the measures and practices necessary to the establishment of a proper land-use program involving soil and water conservation.

(d) Technical cooperation with Civilian Conservation Corps camps and other Federal and State agencies. This project consists of the furnishing of technical cooperation in the form of planning services to other Federal and non-Federal agencies including CCC camps engaged in soil conservation activities. Through furnishing such technical planning services, other agencies engaged in activities related to soil conservation are enabled to adjust their operations in such a manner as to accomplish control of erosion without additional operating expense to the Federal Government.

2. Soil and moisture conservation operations on watersheds largely owned or controlled by the Government.--Operations under this project involve soil and moisture conservation activities on watershed areas composed in major part of Federally-owned or controlled land (public domain, Indian reservations, parks, and other Federal reserves). Operations on Federally-owned or controlled land falling within soil conservation districts are also financed in part from funds of this project.

These areas, largely under Federal control, have long been subject to severe overgrazing which has resulted in the denudation of natural vegetation, the prevention of plant reproduction in certain forest and formerly grassed areas, an exceedingly serious acceleration of erosion, and the formation of destructive floods carrying large quantities of silt. This process has upset the balance between rainfall and vegetative cover and the resulting amounts of runoff, infiltration, and underground storage of water. Perennial streams, formerly not subject to destructive floods, have been transformed into eroded washes, either entirely dry or overflowing with flash floods. In these areas where the Federal Government is responsible for the land, early application of soil and moisture conserving methods and practices is desirable for demonstrational value and also to prevent the problem from becoming more acute.

Irrigated lands in the lower reaches of watersheds are subject alternately to lack of water and destruction through bank and new channel cutting of meandering currents. Large irrigation projects are threatened with relatively early abandonment due to siltation of reservoirs and irrigation canals. Areas formerly made productive by flood-water irrigation methods are being progressively abandoned due to back-cutting of gullies and denudation of local watersheds.

Grazing values of range lands in many areas are declining to the point where the virtual abandonment for economic use of large livestock areas is imminent. As a consequence, the permanent habitability of large portions of the areas concerned is threatened and large Federal and private investments in irrigation reservoirs and values dependment thereon are likewise menaced. The plan of operation on these projects contemplates the restoration of natural balance through the following procedure: (1) The preparation of a comprehensive and integrated plan and method of procedure for each watershed, including the necessary surveys of range-carrying capacities, topographic, erosion, and soil conditions, climatological data, natural water supply, and the outline for readjustments and methods of land use based on existing population distribution and economic conditions as related to the physical factors involved. Such plans are also being integrated with those of other agencies

having responsibilities in these watersheds. (2) The application of control measures such as the prevention of overgrazing; artificial revegetation of denuded areas, damming of gullies; and the spreadingof water from eroded gullies and washes to neighboring lands to make possible (a) stabilization and refilling of gullies and (b) an increase in the amount and density of erosion-resisting vegetation on lands thus provided with increased water supply; the introduction of improved methods of flood-water farming to make possible the existence of native populations who would be asked to reduce their livestock as an important measure of range rehabilitation; protection of selected areas being destroyed by bank-cutting of meandering waterways, and the protection of neighboring lands through planting of vegetation in the bottoms of destructive washes; contour furrowing; ridging or basin listing of certain areas; and the encouragement of grass and forest reproduction.

3. Operation of erosion nurseries for the propagation of plants for use in soil and moisture conservation operations.--Operations under this project involve the maintenance of plant production nurseries for propagating and supplying the planting materials, such as seedlings, cuttings, vines, and seeds, required in various erosion control, conservation practices. The millions of acres of eroded, unprofitable farm and range lands together with the fact that the use of vegetative materials constitutes the most effective means of controlling erosion and bringing such lands again into production, make the nursery work a fundamentally essential part of the soil conservation program. Not only are planting materials needed in unprecedented quantities, but, to meet the diverse climatic and soil conditions involved, plants of practically all classes are required.

The problem is further complicated by the varied erosion problems, requiring plants suitable for special needs, such as gully control, channel lining, windbreaks, strip cropping, submarginal farms, range revegetation, etc., combined with different utility aspects, such as fence posts, firewood, game and livestock feed, and soil building. Also, the locations where the plantings are made, being generally devoid of good top soil, necessitate the use of much plant material not heretofore grown under cultivation and the initiation of correspondingly new propagation and cultural practices. To adequately meet these needs, all-round, plant production centers have been developed, rather than nurseries in the usually accepted term, where planting stock is produced in great variety and in large quantities.

An important part of the nursery work is the collection of native seeds for propagation on the nurseries and direct field planting, including, in the latter instance, large seed, such as nuts and acorns, but more especially native grasses for re-seeding abandoned farms and depleted range lands. Additional seed is produced in quantity on the nurseries, consisting mainly of native grasses and other useful plants difficult and expensive to collect.

Experience having shown that one of the best means of improving soil conservation practices is through the utilization of better plant materials, constant effort is made to obtain more useful plants, which are assembled in the nurseries for observation and propagation in sufficient quantities for general conservation purposes. In this category are native grasses, legumes,

shrubs, and vines brought into use through a better understanding of our wild plants, as well as introductions, such as kudzu, lespedeza, and other legumes and grasses, which have not yet become available to farmers and stockmen.

Containing composite plantings of the most suitable erosion control plants, the nurseries of the Soil Conservation Service are located so as to best serve the major centers of erosion control operations. Planting stock and seeds made available through these nurseries since the soil conservation work got well under way have averaged in total quantity approximately 250,000,000 plants and 2,500,000 pounds of seed annually.

SUPPLEMENTAL FUNDS

	Obligated, 1939	Estimated obligations, 1940
Agricultural Adjustment Administration (Payments for Agricultural Adjustment): Conservation surveys to determine the extent and distribution of erosion in Puerto Rico (In lieu of sugar tax funds)	$6,600	$4,272
Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.)		
General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps, and other Federal and State agencies.	36,808	19,032
Soil and moisture conservation operations on watersheds largely owned or controlled by the Government.	12,269	6,344
Total, Emergency Relief (Admin. Expense)	49,077	25,376
EMERGENCY RELIEF, Agriculture, Soil Conservation Service, (Transfer from W.P.A.)		
General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps, and other Federal and State agencies.	2,285,243	1,132,809
Soil and moisture conservation operations on watersheds largely owned or controlled by the Government.	32,721	16,220
Operation of erosion nurseries for the propagation of plants for use in soil and moisture conservation operations	392,281	194,456
Flood Control Statistics.	155,283	76,975
Total, as Above.	2,865,528	1,420,460
Total Supplemental Funds	2,921,205	1,450,108

(d) EMERGENCY EROSION CONTROL, EVERGLADES REGION, FLORIDA

Appropriation Act, 1940.....	$75,000	
Budget Estimate, 1941.....	75,308	
Increase.....	308	(1)

INCREASE

(1) The increase of $308 in this item for 1941 represents the additional amount needed for administrative promotions in accordance with the plan which is being uniformly applied in the budget estimates for 1941.

WORK UNDER THIS APPROPRIATION

Research and demonstrational work in soil conservation control measures, inaugurated under this appropriation in the fiscal year 1940, including research and demonstrational work in fire control and irrigation construction work to eliminate fire hazards, in the everglades region of Florida.

SUPPLEMENTAL FUNDS -- BUREAU TOTAL

PROJECTS	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
Agricultural Adjustment Administration (Payments for Agricultural Adjustment): Conservation surveys to determine the extent and distribution of erosion in Puerto Rico (in lieu of sugar tax funds)	$6,600	$4,272	---
Special and Technical Investigations, International Joint Commission, United States and Great Britain (Transfer to Agriculture) (Bureau of Agricultural Engineering) (Transferred to Soil Conservation Service): Appraisal of results of increasing the height of groundwater table of lands adjacent to Kootenai Lake.	1,200	1,500	$1,500
Working Fund, Agriculture (War, Flood Control, Mississippi River and Tributaries) (Bureau of Agricultural Engineering) (Bureau of Agricultural Chemistry and Engineering) (Soil Conservation Service): For land appraisal work.	2,402	---	---
Working Fund, Agriculture, (Maintenance and Improvement of Existing Rivers and Harbor Works) (Bureau of Agricultural Engineering) (Bureau of Agricultural Chemistry and Engineering) (Soil Conservation Service): For land appraisal work.	22,566	---	---
Working Fund, Agriculture, (Agricultural Engineering) (War, Flood Control, General) (Bureau of Agricultural Chemistry and Engineering) (Soil Conservation Service): For land appraisal work.	50,837	---	---
Flood Control, General (Transfer to Agriculture) (Soil Conservation Service): Soil Conservation operations in connection with national flood-control program.	665,624	1,623,111	(a)

PROJECTS	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
Development of Water Facilities, Arid and Semiarid Areas, Department of Agriculture (Soil Conservation Service): For development of water facilities in connection with soil conservation programs.	$285,131	$470,000	$470,000
Land Utilization and Retirement of Submarginal Lands (Soil Conservation Service): Land utilization and submarginal land retirement	9,476,163	6,131,655	495,400
Cooperative Farm Forestry.	---	200,000	200,756
Public Works Administration Act of 1938 (Allotment to Agriculture, Bureau of Agricultural Economics) (transferred to Soil Conservation Service): Construction of dams for storage of water, roads, buildings, fences, power lines, and other improvements in connection with the land utilization program under Title III of the Farm Tenant Act.	3,385,690	574,710	(a)
Emergency Relief, Agriculture, Bureau of Agricultural Economics, Administrative Expenses (Transfer from W.P.A.) (Soil Conservation Service): For administrative expenses in connection with land utilization projects.	219,085	113,282	(a)
Emergency Relief, Agriculture, Bureau of Agricultural Economics, (Transfer from W.P.A.), (Soil Conservation Service): Physical improvements involving buildings, parks, recreational facilities, public utilities, flood control, and other additions to land .	5,817,238	2,883,640	(a)
Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.): Administrative expense in connection with a national program of soil conservation.	123,899	64,064	(a)

PROJECTS	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
Emergency Relief, Agriculture, Soil Conservation Service, Public Buildings, Parks, Utilities, Flood Control, etc. (Transfer from W.P.A.): For a national program of soil conservation.	$3,252,855	1,612,460	(a)
Emergency Relief, Agriculture (Soil Conservation Service): For development of water facilities in connection with rural rehabilitiation programs.	651,293	1,125,000	(a)
Total, Supplemental Funds as above .	23,960,633	14,803,694	1,167,656

(a) 1941 Budget Estimate for Flood Control and Emergency Relief not yet available (12-5-39).

PROJECTS	Obligated, 1939	Estimated obligations, 1940
Civilian Conservation Corps, 1939-1940 (allotment through War Department): Work of Civilian Conservation Corps in connection with erosion-control and other soil conservation projects	$9,891,606	$11,014,000

PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger carrying vehicles for the Soil Conservation Service for the fiscal year 1941 contemplates an increase of $100,00($100,000 in 1940; $200,000 estimated for 1941). This total amount will permit the purchase of 330 cars at an average net cost of $606 per car when exchange allowances are taken into account. No increase in the net number of cars available is contemplated.

From an analysis of the requirements for transportation facilities it appears that approximately 1,376 passenger carrying vehicles are required to efficiently carry out the activities performed under this appropriation. The present estim te would provide only for the replacement of 330 vehicles, all of which have been driven on an average of from 50,000 to 60,000 miles. The estimated need for $200,000 is based upon the estimated replacement cost of $606 per unit after considering an exchange value averaging $37 per car.

On the basis of the past four years' experience, vehicles of the Soil Conservation Service are operated approximately 14,000 miles per year, and it is expected that this average will be increased, at least, by 1,000 miles due to the district program in which the Service is now engaged. On this basis cars are operated on an average of four years. After this time, the condition of the vehicles is such that further operation is very unsafe and repairs and upkeep exceed the annual permissable allowance.

On the basis of a requirement of approximately 1,376 cars with an average life of four years, this estimate provides only for the replacement of 330 cars, which is 14 less than one-fourth of the total now in operation.

The use of the passenger carrying vehicle is indispensable for the proper conduct of the Bureau's varied activities throughout the country. The common carrier is not well suited to this work, as the work is generally performed in areas where public transportation is inadequate. From four years' experience we find that Government-owned passenger carrying vehicles where continuous and extensive use is involved, can be operated and maintained with less cost to the government, including depreciation, than personally-owned cars on a reimbursement basis. The replacement of the vehicles contemplated by these estimates, therefore, is essential to carry on the work of the Bureau in the most economical and advantageous manner possible.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

This appropriation is provided for the purpose of carrying into effect sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended, approved February 29, 1936 (16 U. S. C. 590g-590q), and the provisions of the Agricultural Adjustment Act of 1938, as amended, approved April 7, 1938 (52 Stat. 31-70).

	Appropriation Act 1940	Budget Estimate 1941	Increase or Decrease
Direct appropriation	$429,560,000	$498,560,000	+$69,000,000
Reappropriation	(a) 70,000,000	---	- 70,000,000
Total	499,560,000	498,560,000	1,000,000

(a) The reappropriation of $70,000,000 for 1940 consisted of the unobligated balance of the appropriation made under the head "Conservation and Use of Agricultural Land Resources" by the Department of Agriculture Appropriation Act for the fiscal year 1938.

The foregoing is set forth in tabular form in Table I which follows:

TABLE I

Source of funds available for 1939 and 1940 and as estimated for 1941

Items	1939	1940	Budget Estimate, 1941	Increase or decrease
Direct appropriation	$345,000,000	$429,560,000	$498,560,000	+$69,000,000
Provided from "Salaries and Expenses, Agr. Adj. Adm."	69,650,000(a)			
Provided from "Payments for Agr. Adj. (1936)	39,750,000(b)			
Provided from "Conservation and Use of Agricultural Land Resources, 1936-1937"	45,600,000(c)			
Provided from "Conservation and Use of Agricultural Land Resources, 1938"	---	70,000,000(d)	---	- 70,000,000
Total available	500,000,000	499,560,000	498,560,000	- 1,000,000

Deduct:				
Transferred, pursuant to Sec. 202, Agr. Adj. Act of 1938, to "New Uses and Markets for Farm Commodities, Regional Laboratories and Surveys".....	-4,000,000	-3,200,000	-3,200,000	
Transferred, pursuant to Sec. 201, Agr. Adj. Act of 1938, to "Adjustments in Freight Rates for Farm Products".....	-101,500	-187,260	-187,260	
Total obligated, Conservation Program.....	495,898,500	496,172,740	495,172,740	-1,000,000

(a) The $69,650,000 made available to supplement the 1939 direct appropriation represents the estimated unobligated balance of the continuing appropriation "Salaries and Expenses, Agricultural Adjustment Administration".

(b) The $39,750,000 made available to supplement the 1939 direct appropriation represents the estimated unobligated balance of the continuing appropriation "Payments for Agricultural Adjustment, Department of Agriculture" (1936).

(c) The $45,600,000 made available to supplement the 1939 direct appropriation represents the estimated unobligated balance of the 1936-1937 appropriation "Conservation and Use of Agricultural Land Resources, Department of Agriculture".

(d) The $70,000,000 made available to supplement the 1940 direct appropriation represents the estimated unobligated balance of the 1938 appropriation "Conservation and Use of Agricultural Land Resources, Department of Agriculture".

TABLE II

PROJECT STATEMENT

	1939	1940	1941	Increase or decrease
Payments to farmers for Conservation practices under Sections 7-17, Act of Feb. 29, 1936.....	(a)$459,870,121	(a)$477,678,176	(a)$480,623,607	+$2,945,431
Purchase and Removal of Surplus Agricultural Commodities, Sec. 12, Act of Feb. 29, 1936.....	22,110,000	4,000,000	---	- 4,000,000
AAA Administrative Expense (D.C. and field).....	12,027,699	12,024,198	12,077,267	+ 53,069
Allotments and transfers to agencies cooperating and assisting in Agricultural Adjustment Act of 1938 programs.....	1,890,680	2,470,366	2,471,866	+ 1,500
Total obligations, Conservation Program.....	495,898,500	496,172,740	495,172,740	- 1,000,000
Transferred for: Regional Laboratories.....	4,000,000	3,200,000	3,200,000	---
Adjustments in Freight Rates....	101,500	187,260	187,260	---
Total appropriation available	500,000,000	499,560,000	498,560,000	- 1,000,000

(a) Includes expenses of county associations and committees of farmers and grants of aid, 1939 $41,027,000; 1940 (estimated), $46,000,000; 1941 (estimated), $55,000,000.

CHANGES IN LANGUAGE

The Budget contemplates changes in the language of this item as follows:

(1) To reflect amendments to the Act.

(2) To provide authorization for the replacement of the automobile for official use of the Agricultural Adjustment Administration, purchased in 1935 (fiscal year 1936).

(3) To eliminate the reference to reappropriation, since no funds are available for that purpose in 1941.

(4) To provide for the direct appropriation of $498,560,000. The apparent increase in the amount to be appropriated is due to the fact that no funds are available for reappropriation.

(5) To change the applicable years as required.

(6) To substitute "September" for "October" since this change will facilitate the administration of the agricultural conservation programs in some parts of the country where program years beginning September 1, and ending August 31, fit in better with the farming operations. The proposed change will make it possible for payments to be made earlier in the year in such sections.

(7) To provide for the immediate availability of funds under this appropriation to reimburse the appropriation under this head for 1940 on account of obligations incurred in connection with association expenses, grants of aid, and Crop Insurance advances, which are properly chargeable to the 1940 Agricultural Conservation Program (1941 fiscal year).

(8) To extend availability until June 30, 1942 of funds appropriated under the head "Parity Payments, Department of Agriculture" for the fiscal year 1940.

(9) To provide for immediate availability of not to exceed $8,000,000 of the funds appropriated under the head "Parity Payments, Department of Agriculture" for the fiscal year 1940 for the purpose of making payments under the "Price Adjustment Act of 1938".

WORK UNDER THIS APPROPRIATION

This appropriation is used for carrying into effect programs formulated under sections 7-17 of the Soil Conservation and Domestic Allotment Act, as amended, and under the Agricultural Adjustment Act of 1938, as amended. The purposes of these programs as specified in Section 8 of the Soil Conservation and Domestic Allotment Act are (1) preservation and improvement of soil fertility; (2) promotion of the economic use and conservation of land; (3) diminution of exploitation and wasteful and unscientific use of national soil resources; (4) the protection of rivers and harbors

against the results of soil erosion to aid in maintaining the navigability of waters and water courses and in flood control; and (5) reestablishment, at as rapid a rate as the Secretary of Agriculture determines to be practicable and in the general public interest, of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during the five-year period August 1909-July 1914, inclusive, as determined from statistics available in the United States Department of Agriculture, and the maintenance of such ratio.

In attaining these objectives the Act authorizes payments or grants of other aid to producers, including tenants and sharecroppers, measured by (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of erosion; (2) changes in the use of their land; (3) their equitable share, as determined by the Secretary, of the normal national production of any commodity or commodities required for domestic consumption; or (4) their equitable share, as determined by the Secretary, of the national production of any commodity or commodities required for domestic consumption and exports adjusted to reflect the extent to which their utilization of cropland on the farm conforms to farming practices which the Secretary determines will best effectuate the purposes specified in section 7(a); or (5) any combination of the above.

The funds provided by this appropriation are subject to allotment and transfer by the Secretary of Agriculture, pursuant to section 11 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936 (16 U.S.C. 590g-590q). Under this authority, as shown in the Budget schedules, allotments have been made to the Agricultural Adjustment Administration, which has been designated by the Secretary of Agriculture as the agency responsible for carrying into effect the provisions of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, and to a number of other bureaus within the Department of Agriculture, and by transfer to other Government agencies which have been called upon in various ways to facilitate the agricultural conservation program and other related activities carried on in furtherance of these same general aims under the provisions of the Agricultural Adjustment Act of 1938, as amended.

The Agricultural Adjustment Administration, with its Washington and field organizations, is headed by an Administrator, who is responsible to the Secretary of Agriculture for all its activities.

For the administration of the agricultural conservation program, six regional divisions have been established, each under a director who is directly responsible for the administration of the program in the geographical area within his division. The regional headquarters offices

are in Washington and each office with its necessary personnel forms a major division of the Administration with its headquarters setup.

The operation of the program in each State is accomplished through a State committee. The State committee is composed of not less than three nor more than five farmers who are legal residents of the State and who are appointed by the Secretary. The State director of the agricultural extension service is an ex officio member of the State committee. The State committees advise on general policy within the States, assist in the formulation of programs, and recommend the specifications for soil-building practices to be included in the program for each State. They also hear appeals of individual farmers from the decision of the county committee, approve county administrative expenses, and otherwise assist in the administration of the program in the State.

Each State office is in charge of a State executive officer who, in some States, is the chairman of the State committee. The State executive officer administers the program within the State in keeping with the policy of the State committee and instructions from the regional director . With the aid of his office force he examines acreage allotments, yields, and other data, keeps on file material submitted by county committees and in most States has charge of personnel engaged in examining applications for payment and certifying them for payment. After applications have been certified for payment by the State offices they are forwarded to the General Accounting Office for preaudit and then sent to the disbursing office of the Treasury Department where checks for producers are made out and mailed. For the East Central and Northeast Regions the examining, preauditing, and disbursing activities are performed in Washington.

The programs administered in each county are administered through county agricultural conservation associations. Local farmers cooperating in the program constitute the membership of these associations. Within the counties there are varied numbers of community units of the county associations, depending upon the size of the county and the amount of participation in the agricultural conservation program. The members of the association residing in a community elect annually a community committee of not more than three members and a delegate to the county convention. Delegates to the county convention elect annually a county committee of not more than three members. The county committee is directly responsible for the administration of a program in a county. This committee selects a secretary and a treasurer and provides for the employment of necessary personnel. In many counties the county agricultural extension agent is selected as secretary to the county committee. In all other counties he serves ex officio as a member of the county committee. The community committees assist the county committee in carrying out educational work and establishing acreage allotments and normal yields for farms within their respective

communities. There are about 100,000 community and county committeemen within the United States. These committeemen receive compensation from the county associations on a per diem basis when actually employed. The administrative expenses of the county associations are met largely through deductions from conservation payments made to members of the association.

In planning the agricultural conservation program the objectives of the Act and the type of program which could be developed under it are discussed with farmers at open meetings. Recommendations and suggestions of farmers and farm organization leaders who attend these meetings play an important part in determining the final content of the program.

1937 - 1938 Program

Under the program developed for 1937, two general types of payment were made: (1) Class I, or diversion payments, for diverting land from soil-depleting crops to soil-conserving crops or uses and (2) Class II, or soil-building payments, for adopting improved farming practices and conservation measures on the farm. Class I, or diversion payments were made in connection with cotton, tobacco, peanuts, rice, sugarcane, sugar beets, and a group of crops designated as general soil-depleting crops. This group of crops included corn, wheat, oats, barley, rye, flax, grain sorghums, potatoes, vegetables, and a number of other soil-depleting crops. For each cooperating farm where these crops were grown, the county committee established a base or normal acreage and a normal yield.

In the case of cotton, tobacco, peanuts, and general soil-depleting crops, the farmer qualified for payments by reducing the acreage of these crops below the soil-depleting base established for the farm and making a corresponding increase in the acreage devoted to soil-conserving crops or uses. For example, in the case of cotton, a farmer could qualify for a payment of five cents per pound of the normal per-acre yield of cotton for the farm for each acre of the cotton base acreage diverted from cotton to soil-conserving crops or uses up to 35 percent of the cotton base acreage. In the case of general soil-depleting crops, the payment rate averaged about $10 per acre for each acre diverted from general soil-depleting crops to soil-conserving crops, up to 15 percent of the general soil-depleting base acreage. Under the 1937 program, diversion payments were made with respect to the following acreages diverted from cotton, tobacco, peanuts, and general soil-depleting crops to soil-conserving crops:

Crop	Acreage diverted (1,000 acres)
Cotton	7,846
Tobacco	278
Peanuts	92
General Crops	18,147
Total	26,363

In the case of rice, flax, sugar beets, and sugarcane, an acreage of soil-conserving crops or uses equal to not less than a specific percentage of the base acreage of that crop was required in order to qualify for payments, and payments were reduced if the acreage of these crops exceeded the base established therefor.

On the basis of experience in connection with the 1936 and 1937 agricultural conservation programs, and in view of the provisions of the Agricultural Adjustment Act of 1938, the form of the conservation program was changed somewhat in 1938. Under the 1938 agricultural conservation program acreage allotments were established for cotton, corn in the commercial corn area, wheat, rice, peanuts, and flue-cured, Burley, fire-cured and dark air-cured, cigar filler and binder, Georgia-Florida Type 62 tobacco, and potatoes in designated commercial areas. A general soil-depleting allotment which included all soil-depleting crops not mentioned above was also established. Payments of less than $200.00 were increased in varying amounts in accordance with requirements set out in the Agricultural Adjustment Act of 1938, as amended.

Under the 1938 program, payments in connection with soil-depleting crops were computed on the basis of the normal yield of the acreage allotments established for these crops. In order to receive the entire payments computed on the acreage allotments, it was necessary for the producer to plant an acreage not in excess of these acreage allotments. If acreage allotments were exceeded, the payment for the farm was reduced at specified rates per acre or per unit of yield, as the case might have been, except in the case of cotton, where, if a farmer knowingly overplanted his allotment, he was disqualified from receiving any payment on any farm under the program.

Payments were made also, under the 1938 Program, for the purpose of assisting producers in carrying out soil-building practices similar to those which producers were encouraged to adopt under the 1936 and 1937 programs. Provision was made for payments to be made to assignees designated by producers in settlement of indebtednesses incurred in connection with the 1938 crop.

Section 15 of the Soil Conservation and Domestic Allotment Act contains a formula which was effective for the first time in 1938 for

apportioning funds available for payments among the several commodities in connection with which payments were made under the conservation program. Under this formula, four factors are taken into consideration, each factor being given equal weight. These factors are: (1) the average acreages planted to the various commodities for the ten-year period 1928 through 1937, including the acreage diverted from production under the agricultural adjustment and soil-conservation programs; (2) the value of parity price of the production from the allotted acreages of the various commodities for the year with respect to which the payment is made; (3) the average acreage planted to the various commodities during the ten years 1928 through 1937, including the acreage diverted from production under the agricultural adjustment and soil conservation programs, in excess of the allotted acreage for the year with respect to which the payment is made; and (4) the value, based on average prices for the preceding ten years, of the production of the excess acreage determined under item (3).

Section 15 further provides that up to 5 percent of the funds appropriated may be allocated for payments with respect to range lands, noncrop pasture lands and naval stores.

On the basis of the funds thus allocated to each commodity a rate of payment was established which, on the basis of estimated participation would result in payments with respect to each commodity being equal to the amount of funds allocated thereto.

Under Title III of the Agricultural Adjustment Act of 1938, provisions under which marketing quotas applied to crops of cotton and tobacco harvested in 1938 required expenditures to be made in setting and enforcing quotas and collecting penalty taxes on marketings in excess of allotments. Expenditures were made also in connection with the holding of referenda for applying the quota provisions in the 1939-1940 marketing year to cotton, rice, and some types of tobacco produced in 1939.

As a corollary to other activities of the Administration, exhibits have been set up at forty-three of the largest State fairs in thirty-five States.

The estimated amount of Class I, or diversion, payments (including county association expenses deducted in whole or in part from these payments) made in connection with the several soil-depleting bases under the 1937 and 1938 programs are as follows:

Estimated payments
(millions of dollars)

	1937	1938 (Preliminary)
Cotton	66.8	141.7
Corn (commercial)	1/	61.0
Wheat	1/	50.5
Potatoes (commercial)	1/	6.1
Tobacco	11.1	10.1
Peanuts	.8	1.2
Rice	2.7	1.9
Sugar Crops	3.5	--
General crops (soil-depleting not included in above list)	126.3	77.2

1/ Included in general crops

Under the 1937-1938 programs, Class II, or soil-building payments were made to assist farmers in adopting soil-building practices such as the seeding of soil-conserving crops (legumes and grasses), growing green manure and cover crops, planting and maintaining forest trees, constructing terraces, liming soils so as to encourage the growing or soil-conserving crops, applying phosphate and in some cases other fertilizers to soil-conserving crops, and adopting wind and water erosion control measures such as contour farming, pit cultivation, stripcropping, trashy fallowing, etc.

The following table shows the extent to which some of the more important soil-building practices were carried out on farms cooperating in the 1937 and 1938 programs:

	1937	1938 (Preliminary)
Seeding legumes and grasses (acres)	29,072,000	30,268,000
Growing green manure crops (acres)	12,287,000	25,244,000
Planting forest trees (acres)	36,000	55,000
Applying lime materials (tons)	4,990,000	5,019,000
Applying phosphate (16% P_2O_5 to soil-conserving crops)(tons)	363,000	497,000
Constructing terraces (1,000 ft.)	294,000	392,000
Improved summer fallow (acres)	9,546,000	7,471
Other erosion control practices	6,823,000	8,519

It is estimated that Class II payments in connection with soil-building practices totaled $80,000,000 under the 1937 Program and $81,000,000 under the 1938 Program.

Payments have been made available also to assist ranch operators in adopting range-building practices designed to improve the stand of

grass and prevent erosion on range lands of the West. The following tabulation shows the extent to which some of the principal range-improving practices have been adopted on ranches cooperating in the 1937 and 1938 conservation programs under the Soil Conservation and Domestic Allotment Act:

	1937	1938 (Preliminary)
Development of stock water		
Constructing earthen dams, tanks, and reservoirs (cu. yds.)	31,383,000	35,416,000
Digging wells (linear ft.)	166,000	872,000
Natural reseeding by deferred grazing (acres)	15,206,000	28,077,000
Erosion and run-off control		
Contour furrowing (acres)	60,000	158,000
Contour ridging (1,000 ft.)	19,957	59,000
Constructing spreader dams (cu.yds.)	---	2,256,000
Constructing spreader terraces (linear ft.)	3,253,000	7,713,000
Constructing fire guards (linear ft.)	13,094,000	19,039,000
Elimination of destructive plants (acres)	1,677,400	2,403,000

Payments under the range conservation program totaled approximately $8,500,000 in 1937 and $12,000,000 in 1938. Approximately 45,000 ranches containing about 190,000,000 acres of range land cooperated in the 1938 Program.

The producers of turpentine and rosin have been assisted in adopting improved turpentining practices designed to conserve the forest and soil resources of the naval stores producing area. The conservation practices encouraged under the naval stores conservation program have included the cessation of working of small trees, limiting the height to which trees are worked, the adoption of improved chipping and streaking practices, and participation in fire prevention measures. Payments under the naval stores conservation program totaled approximately $359,000 in 1937 and $1,000,000 in 1938.

Payments to farmers (including amounts deducted for local expenses) in connection with programs under the Soil Conservation and Domestic Allotment Act totaled approximately $308,000,000 under the 1937 Program and $449,000,000 under the 1938 Program. Payments were made to approximately 3,744,000 producers (including landlords, tenants, and sharecroppers) in 1937, and 5,249,000 in 1938. Approximately 65 percent of the cropland in the United States was included in farms cooperating in the 1937 program. The corresponding percentage for 1938 was 72.5 percent.

1939-1940 Programs

The 1939 and 1940 Agricultural Conservation Programs have been developed along the same lines as the 1938 Program. In 1939 special allotments and payments were provided for commercial vegetables in designated areas. Under the 1940 Conservation Program, additional provisions have been included to encourage participation by small producers. For example, provision has been made that any farm may earn up to $20 and in addition, any farm may earn $30 by planting forest trees.

During the fiscal year 1940 expenditures will be made in connection with the holding of referenda applying to quota provisions in the 1940-1941 marketing year to cotton and some types of tobacco. This activity will continue at least on cotton and some types of tobacco in the 1941 fiscal year. There will also be expense during the fiscal years 1940 and 1941 for continuing work in connection with refundments of excess taxes paid and for administration which may become necessary in conducting any future referenda required by terms of this title and in carrying out such quotas as may be established as a result of such referenda.

Beginning with the 1939 program, no individual, partnership, or estate may receive a payment of more than $10,000.

Exhibits at fairs, which give a visual portrayal of the aims and accomplishments of the Conservation Program are intended again to be shown at important fairs during the fiscal year 1941.

The next following table shows the comparison of rates of payments under the 1939 and 1940 Agricultural Conservation Programs:

Comparison of Rates of Payment under the 1939 and 1940 Agricultural Conservation Programs

	1939	1940
Cotton (lb)	1.8¢	1.6¢
Corn, commercial (bu.)	9.0¢	10.0¢
Wheat (bu.)	17.0¢	9.0¢
Potatoes, commercial (bu.)	3.0¢	3.0¢
Peanuts (ton)	$3.00	$2.50
Rice (cwt.)	9.0¢	6.5¢
Tobacco		
Flue-cured (lb.)	.8¢	1.0¢
Burley (lb.)	.8¢	1.0¢
Dark (lb.)	1.26¢	1.2¢
Type 41 (lb.)	1.0¢	.6¢
Georgia-Florida Type 62 (lb.)	1.5¢	1.2¢
Other cigar filler and binder (lb.)	1.0¢	1.0¢
Commercial vegetables (acre)	$2.20 1/	$2.20 1/
Commercial orchards	$2.00 2/	$2.00 2/
General Crops, Area A (acre) 3/	99¢	$1.10
Non-depleting acreage, Area A (acre)	50¢ 2/	55¢ 2/
General crops and non-depleting acreage (per acre) Areas B and C	70¢ 2/	70¢ 2/
Range and noncrop pasture land (animal unit)	$1.50 2/ 4/	$1.50 2/ 4/
Restoration land	50¢	60¢ 5/

1/ Payment of $1.50 per acre for not exceeding allotment. Remaining 70¢ to be earned by carrying out approved soil-building practices.

2/ To be earned by carrying out approved soil-building practices.

3/ Area A includes Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, and designated counties in Arkansas, Montana, Wyoming, Colorado, New Mexico, and California.

4/ Average for United States but method of computation varies.

5/ Payment of 15¢ per acre for designation as restoration land. Remaining 45¢ to be earned by carrying out approved soil-building practices.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

NEW USES AND MARKETS FOR FARM COMMODITIES, REGIONAL LABORATORIES, AND SURVEYS

(Allotment of funds, pursuant to Sec. 202(a) of the Agricultural Adjustment Act of 1938)

Appropriation Act, 1939 ..... $3,200,000(a)
Budget Estimate, 1941 ..... 3,200,000 (a)

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Southern regional laboratory	$968,558	$777,000	$770,510	- $6,490(1)
2. Western regional laboratory	968,925	777,000	770,510	- 6,490(1)
3. Eastern regional laboratory	968,902	777,000	770,510	- 6,490(1)
4. Northern regional laboratory	968,650	777,000	770,510	- 6,490(1)
5. Central administrative services	43,896	92,000	117,960	+25,960(1)
6. Surveys	76,567	---	---	---
Unobligated balance	4,502	---	---	---
Total appropriation..	(a) 4,000,000	(a)3,200,000	(a) 3,200,000	---

(a) Allotment pursuant to Sec. 202(a) - (e) A. A. Act of 1938 (52 Stat. 31-70, from "Conservation and Use of Agricultural Land Resources, Department of Agriculture", provided by Agricultural Appropriation Act.

INCREASE OR DECREASE

(1) While there will be no increase in the total allotment for the regional laboratory activity, the proposed 1941 allocations indicate an increase of $25,960 for central administrative expenses, with a corresponding reduction in the allotment for each laboratory. A small staff is established in Washington to administer the four regional laboratories and to coordinate their research activities with one another, with other bureaus in the Department, with State experiment stations, and with other related activities, and to render essential administrative services such as accounting, personnel, etc.

As the work of the laboratories gets under way early in the fiscal year 1941, there will be a heavy increase in these unifying responsibilities of central administration, as a matter of day to day operation.

WORK UNDER THIS APPROPRIATION

General.-- Under Section 202 of the Agricultural Adjustment Act of 1938, the Secretary of Agriculture is authorized and directed to establish, equip, and maintain four regional research laboratories, one in each major farm producing area of the country.

The research to be conducted at the new laboratories will attack, through science and technology, the problems of developing new uses and new and extended outlets and markets for the main surplus agricultural commodities in these four areas designated as the Southern, Eastern, Northern and Western major farm producing areas. The States include in these areas are:

Southern Area	Eastern Area	Northern Area	Western Area
Alabama	Connecticut	Illinois	Arizona
Arkansas	Delaware	Indiana	California
Florida	Kentucky	Iowa	Colorado
Georgia	Maine	Kansas	Idaho
Louisiana	Maryland	Michigan	Montana
Mississippi	Massachusetts	Minnesota	Nevada
Oklahoma	New Hampshire	Missouri	New Mexico
South Carolina	New Jersey	Nebraska	Oregon
Texas	New York	North Dakota	Utah
	North Carolina	Ohio	Washington
	Pennsylvania	South Dakota	Wyoming
	Rhode Island	Wisconsin	
	Tennessee		
	Vermont		
	Virginia		
	West Virginia		

The fiscal year 1941 will be the third year for this undertaking. The plan of procedure has been to construct and equip suitable laboratory buildings as promptly as possible, and to utilize a small skeleton staff, during the construction period, to develop detailed research plans. Contract completion dates indicate that actual operation of the laboratories can start in the early fall of 1940.

The survey of the research which is now being done on the industrial utilization of agricultural products throughout the United States directed by Congress in the Agricultural Appropriation Act of 1938 has been completed and the report of this survey has been published -- Senate Document 65, 76th Congress.

A separate statement covering each of the four laboratories follows:

1. Southern Regional Research Laboratory, New Orleans, Louisiana.-- In this laboratory primary consideration will be given to the most important surplus commodities of the Southern region, which are cotton, sweet potatoes, and peanuts. Basic research on the cotton fiber (lint) will be carried on toward extending its textile utilization and the opening of new industrial uses for cotton. Basic research on constituents of these commodities such as starch, cellulose, protein, and oil will be carried on, as well as studies, looking toward the development of new uses and markets for the commodities themselves.

The laboratory building is now under construction on a very advantageous site of about 40 acres presented to the Government by the City of New Orleans. The first construction contract, awarded to the A. J. Rife Construction Company, of Dallas, Texas, and calling for the construction of the administration unit and the chemical laboratory wing, was for an amount of $843,000. The contract date of completion is September 11, 1940, but the contractor has promised actual completion by July 23, 1940. The remaining construction contracts, which will complete the building, are expected to be awarded before December 15, 1939.

The Director of the laboratory and several of the key men have been appointed and are now engaged in planning and developing a well-rounded, coordinated program of research in preparation for the actual experimental work, which can then get under way promptly when the laboratory is ready for occupancy. Field headquarters have been established in rented offices in the City of New Orleans.

2. Western Regional Research Laboratory, Albany, California.-- In this laboratory primary consideration will be given to the most important surplus commodities of the Western region which are wheat, white potatoes, alfalfa vegetables and fruits, and their processing wastes. Basic research on constituents common to those commodities, for example starch, proteins, and biologics, such as vitamins, plant hormones, enzymes, etc., will be carried on, as well as studies looking toward the development of new uses and markets for the surplus commodities themselves.

The laboratory building is now under construction on a site of 16.62 acres, 5 acres of which were donated by the University of California, and 11.62 acres purchased from the University for $58,335. The first construction contract, awarded to the MacDonald and Kahn Company, Inc., of San Francisco, California, and calling for the construction of the administration unit, chemical laboratory wing, and service building and power plant, was for an amount of $817,000. The contract date of completion is November 3, 1940, but the contractor has promised actual completion by June 20, 1940. The remaining construction contracts, which will complete the building, are expected to be awarded before December 15, 1939.

The Director of the laboratory and several of the key men have been appointed and are now engaged in planning and developing a well-rounded, coordinated program of research in preparation for the actual experimental work, which can then get under way promptly when the laboratory is ready for occupancy. Field headquarters have been established in rented offices in Berkeley, California.

3. Northern Regional Research Laboratory, Peoria, Illinois.-- In this laboratory the commodities to be given primary consideration are corn, wheat, and agricultural wastes or residues. Research on fermentation, power alcohol, starch, oil, cellulose and other constituents and derivatives of these commodities will be carried on, as well as investigations leading toward new uses and markets for these surplus commodities themselves.

The laboratory building is now under construction on a site of about 20 acres area, presented to the Government by the Bradley Polytechnic Institute, of Peoria. The first construction contract, awarded to the O'Neil Construction Company, of Chicago, Illinois, and calling for the construction of the administration unit, twelve sections of the chemical laboratory wing, and the service building and power plant, was for an amount of $885,000. The contract date of completion is June 3, 1940. The remaining construction contracts, which will complete the building, are expected to be awarded before December 15, 1939.

The Director of the laboratory and several of the key men have been appointed and are now engaged in planning and developing a well-rounded, coordinated program of research in preparation for the actual experimental work, which can then get under way promptly when the laboratory is ready for occupancy. Field headquarters have been established in rented offices in the City of Peoria.

4. Eastern Regional Research Laboratory, Wyndmoor, Pennsylvania.-- The commodities to be given primary consideration in the Eastern Laboratory are tobacco, milk products, apples, white potatoes, and vegetables. Basic research on these commodities will deal with such constituents as starch, protein, and fruit and milk sugars, as well as studies looking toward the development of new uses and markets for the commodities themselves.

The laboratory building is now under construction on a site in Wyndmoor, Pennsylvania, just outside of the Philadelphia city line, purchased for $45,000. The site contains 32.5 acres. The first construction contract, awarded to the Sordoni Construction Company, of Wilkes Barre, Pennsylvania, and calling for the construction of the administrative unit, nine sections of the chemical laboratory wing, and the entire service building and power plant, was for an amount of $842,000. The contract date of completion is June 15, 1940. The remaining construction contracts, which will complete the building, are expected to be awarded before December 15, 1939.

The Director of the laboratory and several of the key men have been appointed and are now engaged in planning and developing a well-rounded, coordinated program of research in preparation for the actual experimental work, which can then get under way promptly when the laboratory is ready for occupancy. Field headquarters have been established in rented offices in the City of Philadelphia.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

ADJUSTMENTS IN FREIGHT RATES FOR FARM PRODUCTS

Appropriation Act, 1940 .....$187,260 (a)
Budget Estimate, 1941 ..... 187,260 (a)

(a) Allotment, pursuant to Section 201(a)-(d), Agricultural Adjustment Act of 1938 (52 Stat. 31-70) from "Conservation and Use of Agricultural Land Resources, Department of Agriculture," provided by Agricultural Appropriation Act.

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)
Adjustment in freight rates for farm products:			
Bureau of Agricultural Economics..	$33,054	$100,000	$100,000
Division of Marketing & Marketing Agreements, AAA	2,847	72,760	72,760
Office of the Solicitor	11,731	14,500	14,500
Unobligated balance	53,868	---	---
Total allotment	$101,500	$187,260	$187,260

WORK UNDER THIS APPROPRIATION

Under Section 201 of the Agricultural Adjustment Act of 1938, the Secretary of Agriculture is authorized (1) to file complaint cases with the Interstate Commerce Commission concerning charges for the transportation of farm products, (2) to intervene in cases filed by other parties with the I.C.C. wherein farm products are involved, and (3) to cooperate with and assist producers in their transportation problems.

The Act apparently contemplates that the Department be prepared to exercise its protective influence over all agricultural products in all producing areas throughout the country. Inasmuch as favorable rail rate adjustments on our exportable crops must necessarily be closely related to favorable ocean rates, the activities of the Department will cover the producers' interest--in the matter of ocean transportation cost.

The two major crops of the country, namely, grain and cotton, are at present confronted with the ill-effects of large visible supplies and both commodities will require extensive attention in the matter of freight

rate revisions designed to lend maximum encouragement to the exportation of these large supplies, and domestic rates likewise will require considerable attention. At present there are three pending grain cases which must have attention.

There being no likelihood at all of disposing of the greater part of the large grain and cotton supplies through domestic channels, the matter of fair and equitable ocean rates on these commodities must be intelligently and agressively handled. The same is true, to a lesser degree, with respect to numbers of other farm products to which exportation may be given encouragement through reduction in the ocean rates.

Fruits and vegetables will present a wide and diversified field of activity. Just at present there are pending before the Interstate Commerce Commission proceedings involving railroads' efforts to change the per-package weights of all citrus fruits and of most of the vegetables. In addition to charges for transportation, railroads in various areas throughout the country assess a so-called car rental charge on numerous commodities which must be given attention by the Department. Carload minima on such commodities as pineapples must have the attention of the Department. There is no important crop which will not require some of our attention.

Rates on wool throughout the country generally are viewed as being in a chaotic condition. Poultry is subjected to total transportation and accessorial charges that must be revised. At least three large complaint cases involving livestock to the East are in the prospect of being heard by the I.C.C. within the near future and the Transportation Section will necessarily have to participate. In I.C.C. Docket 17,000, there is involved question of whether or not the carriers shall be permitted to obtain cancellation of the special rates on livestock destined to pasture. There will also be cases covering the question of obtaining pick-up service in connection with the handling of livestock which will involve a principle which the Department must support.

The Interstate Commerce Commission has recently ordered a general investigation of all class rates and classification ratings throughout all parts of the United States lying generally east of the Rocky Mountains. This is one of the largest rate investigations ever instigated by the Commission since its creation in 1887, and since vast quantities of agricultural products move on class rates, agricultural producers have a tremendous stake in these proceedings.

The Interstate Commerce Commission has power to suspend for seven months any tariff or tariffs filed with it involving either increases or decreases in transportation charges. The Department expects to be involved in requests to participate in future proceedings of this character. The number of such cases is impossible to anticipate because of the fact that the instigation of such cases depends upon the extent to which adverse selfish interests may succeed in obtaining suspension of reduced charges favorable to agriculture as well as to the extent to which the Department and agricultural producers may be successful in obtaining the suspension of proposed increase in charges filed by the railroad.

The nature of the work required of the Department generally is such that (1) it will be necessary at all times to maintain sufficient personnel to meet the above anticipated requirements, and (2) personnel must not only be thoroughly grounded in rate and tariff matters, but likewise must be thoroughly conversant with the distribution and marketing of agriculture products and with the quasi-legal requirements necessary to a successful handling of matters before the Interstate Commerce Commission and Maritime Commission.

The farmer's income is affected by the prices he pays for production and for living, as well as the prices he receives for his marketings. The prices he pays are influenced by the transportation charges on equipment and supplies used on the farm. Thus as producer and as consumer he has a vital interest in the level and structure of transportation rates.

Moreover, a study of transportation rates and charges must be concerned with the factors which affect them, namely, value of the service, efficiency and economy of operation, financial structure and policies, instability of the national economy, etc.

In order to achieve a proper balance in the national economy between farm prices and income, on the one hand, and on non-agricultural prices and income, on the other, the average level of freight rates must be as low as possible and must be flexible to conform to unsettling conditions arising from business cycle fluctuations, shifts in the foreign trade, uncertain growing conditions, and other factors largely beyond the control of farmers. It seems clear that the Department's study should be concerned with both the short-term and long-run aspects of transportation, with the definite objective of formulating policies designed to integrate more satisfactorily transportation rates and charges into the needs not only of agriculture but of the entire economic organization.

Improvement and expansion of index numbers of freight rates for farm products.-- The Bureau has been engaged in the improvement of the Bureau's indexes of freight rates on wheat, cotton, and livestock, which are already published for the period 1913 to 1939. In addition, significant progress is being made on the construction of new indexes of freight rates on fresh fruits and vegetables. These indexes will be computed for each crop year beginning with 1913, and will be useful for the purpose of comparing relative changes in freight-rate levels with relative changes in farm and other price levels. It is expected that the indexes will be eventually put upon both a national and a regional basis.

PASSENGER-CARRYING VEHICLE

The estimates provide for the purchase of one passenger-carrying vehicle for the official use of the Agricultural Adjustment Administration, to replace, during the fiscal year 1941, the 1935 model car purchased in the fiscal year 1936. It is estimated that the maintenance and repair on the automobile now used by the Administrator would be more expensive than the purchase of a new one.

PARITY PAYMENTS, DEPARTMENT OF AGRICULTURE.

Appropriation Act, 1940.....$225,000,000

Budget Estimate, 1941..... (a)

Decrease.....$225,000,000

(a) The availability of the funds appropriated under this head for making parity payments pursuant to Section 303 of the Agricultural Adjustment Act of 1938, has been extended until June 30, 1942, under a proviso inserted at the end of the item "Conservation and Use of Agricultural Land Resources" in the 1941 Estimates. There will be no appropriation of funds, either direct or from other sources.

AGRICULTURAL ADJUSTMENT ADMINISTRATION

(a) CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Conservation and Use of Agricultural Land Resources, Department of Agriculture".

(b) PARITY PAYMENTS, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering the allotment to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in the notes under the caption "Parity Payments, Department of Agriculture".

(c) ADMINISTRATION OF PRICE ADJUSTMENT ACT OF 1938, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering the allotment to the Agricultural Adjustment Administration from the appropriation under this heading. No estimate is submitted for the fiscal year 1941, since the entire amount will have been obligated prior to that time.

(d) ADMINISTRATION OF FEDERAL CROP INSURANCE ACT, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Administration of Federal Crop Insurance Act, Department of Agriculture".

(e) ADMINISTRATION OF SUGAR ACT OF 1937, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Administration of Sugar Act of 1937, Department of Agriculture".

(f) EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES, DEPARTMENT OF AGRICULTURE (COTTON PRICE ADJUSTMENT)

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration and other agencies in connection with the price adjustment payments to cotton producers.

The Third Deficiency Appropriation Act of 1937, made available not to exceed $65,000,000 of the funds available under section 32 of the Act of August 24, 1935, in each of the fiscal years 1938 and 1939, to be available until expended, for a price adjustment payment with respect to the 1937 cotton crop to cotton producers who have complied with the provisions of the 1938 agricultural adjustment program formulated under legislation contemplated by Senate Joint Resolution No. 207, 75th Congress.

Payments were made to producers at a rate per pound equal to the difference between 12 cents per pound and the average price of 7/8th middling cotton on the 10 designated spot cotton markets on the dates of sale of such cotton, but in no case exceeded 3 cents per pound.

The work under this appropriation was completed in the fiscal year 1939.

(g) COMMODITY CREDIT CORPORATION, CORN MOISTURE CONTENT TESTS

This is the Budget schedule covering moneys advanced by the Commodity Credit Corporation for administrative expenses in Washington, D. C., and in the field in connection with the conduct of moisture tests on corn offered as collateral under the Corn Loan Program, pursuant to Section 302 of the Agricultural Adjustment Act of 1938, as amended.

(h) COMMODITY CREDIT CORPORATION, WHEAT GRADE DETERMINATIONS

This is the Budget schedule covering moneys advanced by the Commodity Credit Corporation for administrative expenses in Washington, D. C., and in the field in connection with tests of the moisture content and grade of wheat offered as collateral under the Wheat Loan Program, pursuant to Section 302 of the Agricultural Adjustment Act of 1938, as amended.

(i) SALARIES AND EXPENSES, AGRICULTURAL ADJUSTMENT ADMINISTRATION

Section 12(a), title I, of the Agricultural Adjustment Act appropriated, to be available until expended, $100,000,000 for administrative expenses under that title and for payments authorized to be made under section 8. Obligations for 1939, 1940, and 1941 under the 1939

balance available from this fund ($76,149,320) are set forth in the following project statement:

PROJECT STATEMENT

Projects	1939	1940	1941
Administrative expenses			
Agricultural Adjustment Administration 1/. .	$1,095,657	$1,829,009	$1,124,309
Allotments for administrative expenses incurred by cooperating bureaus of Department of Agriculture			
Office of Secretary .	14,763	75,000	75,000
Office of Solicitor .	137,017	164,300	164,300
Extension Service . .	8,000	10,000	10,000
Bureau of Animal Industry	30,000	30,000	30,000
Bureau of Agricultural Economics	152,679	436,580	436,580
Agricultural Marketing Service	120,604	120,000	120,000
Foreign Agricultural Relations	24,674	25,000	25,000
Library, Department of Agriculture . .	3,240	---	---
International Production Control Committees	17,500	17,500	7,000
Total	508,477	878,380	867,880
Total obligations . .	1,604,134	2,707,389	1,992,189
Reappropriated to "Conservation and Use of Agricultural Land Resources"	69,650,000		
Total	71,254,134	2,707,389	1,992,189
1939 unobligated balance available in 1940	4,895,186		
1940 estimated unobligated balance available in 1941		2,187,797	
Estimated unobligated balance			195,608
Total available	76,149,320	4,895,186	2,187,797
Amount made available from appropriation in Act of May 12, 1933	-76,149,320	-4,895,186	-2,187,797

1/ Includes Division of Marketing and Marketing Agreements

WORK UNDER THIS APPROPRIATION

This appropriation was provided by section 12(a) of the Agricultural Adjustment Act of May 12, 1933, to be available until expended, for administrative expenses under Title I and for payments under the programs of the Agricultural Adjustment Act, as amended.

The obligations which it is anticipated will be incurred under this appropriation during the fiscal year 1941 will be those for administrative expenses in connection with activities of the Agricultural Adjustment Administration not affected by the Supreme Court decision (U. S. vs. Butler) including amounts transferred to cooperating agencies ($1,992,189).

The principal activity of the Agricultural Adjustment Administration currently being financed from this appropriation includes administrative supervision, formulation and administration of marketing agreements.

(j) PAYMENTS FOR AGRICULTURAL ADJUSTMENT, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering the $296,185,000 appropriated by the Supplemental Appropriation Act of 1936. This appropriation is available until expended to meet all obligations and commitments including salaries and administrative expenses theretofore incurred or to be incurred and rental and benefit payments in connection with adjustment contracts entered into prior to January 6, 1936, in which partial performance had been effected by the farmers and where applications for contracts were made prior to January 6, 1936, by farmers who had in good faith made adjustments in acreage and otherwise substantially complied with the requirements in connection with the crop program, regardless of whether contracts had been signed. This appropriation was necessary to complete the liquidation of moral obligations incurred under the production adjustment programs which were initiated under the authority contained in section 12(b) of the Agricultural Adjustment Act and which were invalidated by the Supreme Court decision (U. S. vs. Butler).

The obligations and commitments under funds allocated directly to the Agricultural Adjustment Administration include rental and benefit payments with respect to cotton, wheat, corn, hogs, tobacco, sugar, peanuts, rice, and rye; the completion of programs for the removal of surplus wheat, hogs and peanuts; and administrative expenses, including salaries, incurred in connection with the production adjustment programs.

Obligations for 1939, 1940, and 1941 under the 1939 balance available from this fund ($40,630,059), principally for auditing expenses, are set forth in the following project statement:

PROJECT STATEMENT

Projects	1939	1940	1941
Administrative expenses Agricultural Adjustment Administration	$263,956	$120,440	$99,500
1936 appropriation available in 1939	-40,630,059		
1939 unobligated balance available in 1940	+616,103	-616,103	---
Reappropriated to "Conservation and Use of Agricultural Land Resources"	+39,750,000	---	---
1940 estimated unobligated balance available in 1941	---	+495,663	-495,663
Unobligated balance . . .	---	---	+396,163

(k) EMERGENCY RELIEF, AGRICULTURE, AGRICULTURAL ADJUSTMENT ADMINISTRATION, ADMINISTRATIVE EXPENSES (TRANSFER FROM W. P. A.)

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from funds appropriated to the Works Progress Administration under the Emergency Relief Appropriation Act of 1938 for administrative expenses in Washington, D. C., on projects involving compilation, indexing, and summarizing of data on standards for consumer goods, administration of State and local weights and measures laws, consumer education, and demand for and use of consumer standards in order to provide information for use of Federal, State, and local governmental agencies, trade associations, consumer organizations and schools.

(l) RETIREMENT OF COTTON POOL PARTICIPATION TRUST CERTIFICATES, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering allotments from the appropriation under this heading. The appropriation was available for carrying into effect the provisions of Title IV of the Agricultural Adjustment Act of 1938, relating to retirement of cotton pool participation trust certificates. The funds appropriated under the above heading were made available until December 31, 1939, and therefore no budget estimate is submitted for the fiscal year 1941.

(n) SPECIAL DEPOSITS - COTTON

The schedules in the Budget under this heading reflect financial transactions in connection with the acquisition and disposition of

spot cotton and cotton futures contracts by the Secretary of Agriculture, as provided for by part 1, title I, of the Agricultural Adjustment Act of 1933, as amended. All spot cotton and futures contracts were sold or disposed of prior to January 1, 1937. Operations in connection with the liquidation of this program were completed on June 30, 1937.

COMMODITY CREDIT CORPORATION

ADMINISTRATIVE EXPENSES

Appropriation, 1940	$2,000,000	(a)
Budget Estimate, 1941	2,000,000	(a)

(a) These amounts are made available from the capital funds of the Commodity Credit Corporation, under authority provided by this item for use of a limited sum from such capital funds to pay administrative expenses of the Corporation. The language of this paragraph also differentiates between administrative and nonadministrative expenses in the operations of the Corporation in making loans to finance the carrying and orderly marketing of agricultural commodities, including loans mandatory under the Agricultural Adjustment Act of 1938, as amended, approved April 7, 1938 (52 Stat. 31-70), and other related activities.

CHANGE IN LANGUAGE

The budget estimates contemplate changes in the language of this item as follows:

(1) An increase in the amount authorized to be used for periodicals, maps, and newspapers from $150 to $250, so that it will be possible to pay for subscriptions to trade publications which are of considerable importance in informing the staff of this Agency.

(2) Elimination of the reference to Section 4 of the Independent Offices Appropriation Act, 1940, so that a proper reference might be made to whatever section might supersede for the fiscal year 1941 Section 4 of the Independent Offices Appropriation Act, 1940. This section requires that no administrative expenses of the agencies covered by this section "shall be obligated or expended unless or until an appropriate appropriation account shall have been established .... and all such expenditures shall be accounted for and ordered in accordance with .... the Budget and Accounting Act of 1921, as amended".

(3) Inclusive of a proviso to cover allotments by the Secretary of Agriculture, with the approval of the Director of the Budget Bureau, to the offices and divisions of the Office of the Secretary for administrative, legal, or other services arising out of the inclusion of the Commodity Credit Corporation in the Department of Agriculture. An allotment for 1940, of $27,950 to the Office of the Secretary for these purposes, ($7,350 for personnel administration, $9,820 for budgetary and fiscal administration and service, $3,420 for general operations, telephone and telegraph, mails and files, etc., and $6,000 for informational and duplicating work) has been approved by the Director of the Budget Bureau, pursuant to the provisions of Reorganization Plan No. I. The language above referred to contemplates provision for such services in 1941.

WORK UNDER THIS APPROPRIATION

The Commodity Credit Corporation, created as an agency of the United States October 17, 1933, pursuant to Executive Order No. 6340, dated October 16, 1933, was continued until June 30, 1941, by authority of Public No. 3, 76th Congress approved March 4, 1939 (52 Stat. 510) or to such earlier date as the President of the United States may determine.

The Corporation has an authorized paid-in capital stock of $100,000,000. In addition, the Corporation is authorized, with the approval of the Secretary of the Treasury, to have outstanding at one time not to exceed $900,000,000 in bonds, notes, debentures, etc., fully and unconditionally guaranteed as to principal and interest by the United States.

The Corporation was made a part of the Department of Agriculture, July 1, 1939, pursuant to the President's Reorganization Plan No. I and the Reorganization Act of 1939. Loans have been made on cotton, corn, wheat, tobacco, turpentine, and rosin, wool and mohair, figs, dates, hops, pecans, raisins, prunes, peanuts, and butter, some of which are still outstanding; on others, having been called, collateral forfeit has placed title to the pledged commodities with the Commodity Credit Corporation; some forfeited collateral has been and is being sold or bartered. In addition, new loans are frequently being announced as economic conditions warrant.

The following table shows by commodities the amount for which loans are current as of October 31, 1938, compared with October 31, 1939, with an annexed statement of the quantities of collateral security previously pledged under loan to which title has been taken by the Corporation.

STATEMENT OF LOANS AND COMMODITIES OWNED

October 31, 1939

Commodity Loans	Disbursements	Total Credits (a)	Total Outstanding	Total Collateral Held
Cotton:				
1933-34	$103,684,117.86	$103,684,117.86	- -	- -
1934-35	309,740,512.35	309,731,956.23	$8,556.12	- -
1935-36	3,655,821.87	3,640,109.80	15,712.07	- -
1937-38	263,669,980.78	263,605,437.07	64,543.71	- -
1938-39	52,201,567.46	12,456,076.19	183,099,510.88	3,950,073 B/C
	732,952,000.32	693,117,697.15	183,188,322.78	3,950,073 "
Cotton Pool:				
1933-34	38,991,041.76	38,991,041.76		
1934-35	12,424,800.06	12,424,800.06		
	51,415,841.82	51,415,841.82		
Corn:				
1933-34	121,276,173.81	121,276,173.81	- -	- -
1934-35	4,323,793.32	4,323,793.32	- -	- -
1935-36	8,772,862.22	8,772,862.22	- -	- -
1936-37	46,031.82	46,031.82	- -	- -
1937-38	21,865,887.14	21,850,397.53	15,489.61	- -
1938	16,588,739.06	3,947,359.33	12,641,379.73	21,931,488 Bu.
1938-39	134,917,745.81	2,120,493.66	132,797,252.15	247,653,765 "
	307,791,233.18	162,337,111.69	145,454,121.49	269,585,253 "
Tobacco:				
1931-35	8,672,879.26	5,549,763.58	3,123,115.68	17,257,215 Lbs.
1937	935,625.43	906,421.52	29,203.91	969,931 "
1939	12,846,333.83	1,415.60	12,844,918.23	62,234,666 "
	22,454,838.52	6,457,600.70	15,997,237.82	80,461,812 "
Turpentine and Rosin:				
1934-35	7,280,829.75	6,144,070.80	1,136,758.95	20,532 Gal.
1938	12,238,846.35	3,131,238.32	9,107,608.03	2,116,347 "
				695,586 Bbls.
1939	7,161,208.37	- -	7,161,208.37	5,513,412 Gal.
				526,565 Bbls.
	26,680,884.47	9,275,309.12	17,405,575.35	
Figs:				
1937-38	83,914.91	83,914.91		
1938-39	124,998.41	124,998.41		
	208,913.32	208,913.32		
Peanuts:				
1937-38	5,360,107.55	5,360,107.55	- -	- -
1938-39	7,113,752.19	7,113,752.19	- -	- -
1939-40	371,499.37	- -	371,499.37	6,115 Tons
	12,845,359.11	12,473,859.74	371,499.37	6,115 "
Prunes:				
1937-38	2,357,068.91	2,357,068.91	- -	- -
1938-39	397,224.23	319,295.97	77,928.26	21,595 Tons
	2,754,293.14	2,676,364.88	77,928.26	21,595 "

STATEMENT OF LOANS AND COMMODITIES OWNED - Continued

Commodity Loans	Disbursements	Total Credits (a)	Total Outstanding	Total Collateral Held
Raisins:				
1937-38	$1,327,719.97	$1,327,719.97	- -	- -
1938-39	2,477,327.32	516,445.85	$1,960,881.47	53,944 Tons
	3,805,047.29	1,844,165.82	1,960,881.47	53,944 "
Wheat:				
1938 Form A..	12,975,279.41	10,739,698.28	2,235,581.13	- -
1938 Form B..	34,091,432.94	34,060,038.06	31,394.88	3,727,481 Bu.
1939 Form A..	1,307,919.86	11,532.72	1,296,387.14	- -
1939 Form B..	4,041,660.61	81,155.79	103,760,953.09	149,708,330 Bu.
	52,416,292.82	44,892,424.85	107,324,316.24	153,435,811 "
Wool and Mohair:				
1938	3,311,698.82	3,306,910.93	4,787.89	43,635 Lbs.
1939	27,292.88	19,599.90	434,695.29	2,522,439 "
	3,338,991.70	3,326,510.83	439,483.18	2,566,074 "
Butter	34,517,727.81	30,467,250.75	4,050,477.06	17,061,088 Lbs.
Dates	61,302.00	61,302.00	- -	- -
Pecans	440,648.58	84,384,58	356,264.00	2,792,972 Lbs.
Hops	1,472,866.00	417,020.95	1,055,845.05	5,226,394 Lbs.
Rye	221,794.22	- -	221,794.22	585,832 Bu.
Total, Commodity Loans.	1,253,378,034.30	1,019,055,758.20	(b) 477,903,746.29	

(a) Includes repayments, amounts charged off and balances outstanding on commodities taken by CCC.
(b) Includes $243,581,470.19 in loans held by banks not yet purchased by CCC.

Commodities owned by CCC: Cotton ..... 6,883,640 B/C
Corn .....14,327,303 Bu.
Wheat ..... 4,525,294 Bu.

STATEMENT OF LOANS AND COMMODITIES OWNED - Continued

October 31, 1938

Commodity Loans	Disbursements	Total Credits (a)	Total Outstanding	Total Collateral Held
Cotton:				
1933-34	$103,684,117.86	$103,684,117.86		
1934-35	306,668,810.94	187,504,794.47	$119,164,016.47	1,666,420 B/C
1935-36	3,655,821.87	3,633,305.93	22,515.94	
1937-38	137,519,883.93	1,771,543.06	135,748,340.87	2,867,551 B/C
1938-39	2,020,975.37	43.30	2,020,932.07	41,760 B/C
	553,549,609.97	296,593,804.62	256,955,805.35	
Cotton Pool:				
1933-34	38,991,041.76	38,991,041.76		
1934-35	12,424,800.06	12,424,800.06		
	51,415,841.82	51,415,841.82		
Corn:				
1933-34	121,276,173.81	121,276,173.81		
1934-35	4,223,793.32	4,323,793.32		
1935-36	8,772,862.22	8,772,862.22		
1936-37	46,031.82	46,031.82		
1937-38	16,504,944.21	1,045,655.84	15,459,288.37	31,764,439 Bu.
1938	29,409.77		29,409.77	51,590 "
	150,953,215.15	135,464,517.01	15,488,698.14	
Tobacco:				
1931-35	8,611,425.13	4,575,496.59	4,035,928.54	26,972,158 Lbs.
1937	926,514.83		926,514.83	5,627,081 "
	9,537,939.96	4,575,496.59	4,962,443.37	
Turpentine and Rosin:				
1934	7,272,906.52	5,927,655.01	1,345,251.51	1,071,444 Gal.T.
1938	10,765,141.27	1,199.91	10,763,941.36	9,426,286 " "
				834,668 Lbs.R.
	18,038,047.79	5,928,854.92	12,109,192.87	
Butter	29,708,055.27	2,701,985.22	27,006,070.05	102,861,512 Lbs.
Dates	61,302.00	42,114.75	19,187.25	
Figs	171,937.44	85,655.96	86,281.48	4,543 Tons
Peanuts:				
1937-38	5,360,107.55	5,354,663.87	5,443.68	251 Tons
1938-39	4,074,324.19		4,074,324.19	70,964 "
	9,434,431.74	5,354,663.87	4,079,767.87	
Prunes	2,357,068.91	1,020,618.96	1,336,449.95	(c) 744.36 Tons
Raisins:				
1937-38	1,327,719.97	1,300,000.00	27,719.97	22,626 Tons
1938-39	48,213.86		48,213.86	
	1,375,933.83	1,300,000.00	75,933.83	
Wool and Mohair	1,299,215.80	743,550.53	555,665.27	3,508,350 Lbs.

STATEMENT OF LOANS AND COMMODITIES OWNED - Continued

Commodity Loans	Disbursements	Total Credits (a)	Total Outstanding	Total Collateral Held
Wheat:				
Form A	$4,775,561.07	$65.46	$4,775,495.61	
Form B	4,801,209.22	1,187.61	4,800,021.61	17,047,020 Bu.
	9,576,770.29	1,253.07	9,575,517.22	
Total, Commodity Loans.	837,479,369.97	505,228,357.32	332,251,012.65	

(a) Includes repayments, amounts charged off and balances outstanding on commodities taken over by CCC.

(c) Does not include 30,569.85 tons of prunes released under Trust Receipt to Federal Surplus Commodities Corporation.

Manner in which loans are made

Loans to individual producers upon the basic commodities - cotton, corn, wheat, wool - are made under an arrangement whereby the producer may either secure the loan directly from the Corporation or from banks and other local lending agencies on forms which are provided by the Corporation, which agrees that such loans as are in acceptable form will be purchased by the Corporation at face value plus accrued interest at 1½ per cent on corn and 2 per cent on other commodities. Producers' notes bear a 3 per cent rate. The difference in interest accrues to the Corporation for its expense and undertaking. The major portion of all loans made have been made by banks and other local lending agencies and carried as an investment by such lending agencies for the maximum period permitted under the undertaking of the Corporation.

The Reconstruction Finance Corporation acts as fiscal agent for the disbursement and collection of loans and as custodian of the collateral upon a cost basis both with reference to loans made directly by the Commodity Credit Corporation and those purchased from banks and other local lending agencies.

Most of the expenses under this appropriation paragraph are those of the fiscal agents, reimbursed by the Commodity Credit Corporation. In fiscal years 1940 and 1941, $27,950 of the amount for other agencies is being transferred to other offices of the Department of Agriculture.

Loans are made either to individual producers or associations of producers operating on cooperative or nonprofit basis without capital or with limited capital. All loans made to individual producers have been without liability of the producer for any deficiency arising from the sale of the collateral unless fraudulent statements or misrepresentations are established. All loans required to be made by the Agricultural Adjustment Act of 1938 are required to be made upon this basis.

With the exception of loans on corn and approximately 30 per cent of the loans on wheat, all loans are made upon the security of negotiable warehouse receipts issued by approved public warehouses. All loans on corn and approximately 30 per cent of the loans on wheat are made upon the security of the commodity stored on the farm and sealed by the county agricultural conservation associations pursuant to regulations issued by the Secretary of Agriculture, the Corporation taking as its security chattel mortgages. Producers securing farm-stored loans upon corn and wheat are responsible for the delivery of the proper quantity and quality but only to the extent of the difference in value between the quantity and quality of grain delivered and the quantity and quality loaned on, which difference is recoverable only out of any benefit payments then or thereafter due such producers from the Secretary of Agriculture.

Since the transfer of the Commodity Credit Corporation to the Department of Agriculture on July 1, 1939, certain new functions have been added to the Corporation and certain other functions previously performed by the fiscal agents and other cooperating agencies are now

performed directly by the Corporation. The functions which have been added to the Corporation are designed to give the Corporation better control over the formulation of loan plans and to implement the drive of the Corporation to lower the nonadministrative operating expenses of the program which on the volume of present loans and commodities owned will result in savings of 10 million dollars during 1940, under the amount which would have been required if handling charges in effect during the 1939 fiscal year were continued throughout 1940. Increased administrative expense is partly due, however, to the increased volume of commodities owned, quantities of collateral held as security for current loans, and the increase in the number of loans and in the amount loaned as compared with the totals of these items during the fiscal year 1939.

DISPOSAL OF SURPLUS COMMODITIES

EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES, DEPARTMENT OF AGRICULTURE (Section 32, Act of August 24, 1935)

Appropriations, 1940:		
Section 32, Act of Aug. 24, 1935		$92,678,812
Agricultural Appropriation Act, 1940		113,000,000
Total Available, 1940		205,678,812
Budget Estimates, 1941:		
Section 32, Act of Aug. 24, 1935 .	$92,678,812	
Agricultural Appropriation Bill, 1941	80,000,000	172,678,812
Decrease.		- 33,000,000

Note.-The $92,678,812 fund referred to above is a permanent appropriation provided by Section 32 of the Act approved August 24, 1935 (7 U.S.C. 612c), which makes available for the purposes of that section each fiscal year an amount equal to 30 percent of the customs receipts of the preceding calendar year. The estimate for 1940, therefore, is based upon the customs receipts for the calendar year 1939. Since there was no official estimate of the customs receipts for the calendar year 1939 available at this time (December 5, 1939), the amount appropriated for the fiscal year 1940 has been used as the estimate for the fiscal year 1939.

The appropriation of $113,000,000 is the supplemental appropriation for carrying out the purposes of said Section 32 entitled "Disposal of Surplus Commodities", contained in the Agricultural Appropriation Act for the fiscal year 1940. The estimate of this supplemental appropriation for the fiscal year 1941 is $80,000,000.

PROJECT STATEMENT

Item	1939	1940 (Estimated)	1941 (Estimated)	Decrease
Removal of surplus agricultural commodities by diversion to export, new uses and by-products	$13,441,422	$80,533,389	$47,849,966	(1) -$32,683,423
Removal of surplus agricultural commodities by diversion to relief and low-income families, including food stamp plan	68,139,872	119,473,812	119,473,812	- - -
Payments for cotton price adjustment pursuant to Third Deficiency Act for the fiscal year 1937	60,650,000	- - -	- - -	- - -
Administrative expenses (D.C. and field) including expenses of agencies cooperating in the programs as shown in the 1941 budget. .	1,768,706	5,671,611	5,355,034	(2) - 316,577
Unobligated balance . .	24,893	- - -	- - -	- - -
Total appropriation available	144,024,893	205,678,812	172,678,812	- 33,000,000

DECREASES

The reduction of $33,000,000 in this item for 1941 consists of:

(1) A decrease of $32,683,423 in expenditures for encouraging diversion of domestic surpluses of agricultural commodities to export markets, to new uses, and to by-product outlets by payment of indemnities.

(2) A decrease of $316,577 in the allotment for administrative expenses, necessary to carry out the export encouragement and diversion programs.

CHANGES IN LANGUAGE

It is recommended in the estimates that the language of the paragraph entitled "Disposal of Surplus Commodities," be amended to read as follows:

"To enable the Secretary of Agriculture to further carry out the provisions of section 32, as amended, of the Act entitled 'An Act to amend the Agricultural Adjustment Act, and for other purposes,' approved August 24, 1935, and subject to all provisions of law relating to the expenditure of funds appropriated by such section, [$113,000,000] $80,000,000. Such sum shall be immediately available, and shall be in addition to, and not in substitution for, other appropriations made by such section: Provided, That not in excess of 25 per centum of the funds herein made available may be devoted to any one agricultural commodity: Provided further, That [of that part of the funds appropriated in this paragraph which may be allocated for expenditure in connection with cotton not less than 50 per centum shall be allocated for use in carrying out clause (3) of such section, or in carrying out clause (2) of such section, which clause (2) is hereby amended by inserting before the semicolon after 'commerce' the following: 'or by increasing their utilization through benefits, indemnities, donation, or by other means, among persons in low income groups as determined by the Secretary of Agriculture.'] said 25 per centum provision and the like provision in said section 32, as amended, shall not apply to amounts devoted to a stamp plan for the removal of surplus agricultural commodities from funds made available hereby and by said section 32, and, notwithstanding expenditures under such stamp plan the 25 per centum provision shall continue to be calculated on the aggregate amount available hereunder and under said section 32. (7 U.S.C. 612c; 53 Stat. 975)."

These changes involve, first, the omission of the following clause:

"of that part of the funds appropriated in this paragraph which may be allocated for expenditure in connection with cotton, not less than 50 per centum shall be allocated for use in carrying out clause (3) of such section, or in carrying out clause (2) of such section"

This change in language does not affect the 25 percent commodity limitation but does abolish the present special limitation on expenditures for cotton from the $113,000,000 supplemental appropriation. The effect of this special provision with regard to cotton is to limit expenditures for encouraging cotton export to an amount equal to 50 percent of twenty-five percent of the supplemental appropriation. This portion of the funds ($14,125,000) is an insufficient supplement to the 25 percent of regular Section 32 funds available for the purpose. The limination of this language will make available for the removal of price depressing domestic surpluses of cotton through export encouragement a full 25 percent of the total regular and supplemental appropriation for carrying out the purposes of Section 32.

If the experience of 1914-18 is repeated, the European demand for cotton will decrease rather than increase under pressure of war. In order to retain a fair share of the export market in the fiscal year 1940-41, it may be necessary to increase export payments above the present rate of 1-1/2 cents per pound. The funds available for the fiscal year 1939-40 at the present rate of payment will be sufficient for payments on only 4,973,000 bales. If exports from July 27, 1939 through June 30, 1940 should exceed this figure the available funds for the current program will be inadequate. If the program is continued in the fiscal year ending July 1, 1941, to remove the surplus effectively provision should be made for payments on exports at least equal to the average of those for the 10-year average (1927-1936), or 6,991,000 bales. At the present rate of payment, exports in this volume would require the expenditure of over $52,000,000. Due to wartime conditions mentioned above, a higher rate may be necessary to make this volume of exports possible, and the total amount required would be proportionately larger, possibly as much as $69,900,000.

Programs to increase domestic consumption of cotton are in effect, but it is not believed that these programs or other programs to increase domestic consumption which could be made effective would require the expenditure of as much as 12-1/2 percent of the appropriation of $113,000,000, made available in Public No. 159, 74th Congress, 1st session. It is, therefore, suggested that the appropriation in the fiscal year beginning July 1, 1940 should be made in such form that, if necessary, more than 50 percentum of the 25 percentum available for cotton programs may be used for making payments to encourage exports.

The next change amends this item by striking out the following:

> "which clause (2) is hereby amended by inserting before the semicolon after 'commerce' the following: 'or by increasing their utilization through benefits, indemnities, donation, or by other means, among persons in low-income groups as determined by the Secretary of Agriculture.'"

This language is permanent legislation and there is no necessity for its repetition.

The final change amends this item by inserting the following:

> "said 25 percentum provision and the like provision in said section 32, as amended, shall not apply to amounts devoted to a stamp plan for the removal of surplus agricultural commodities from funds made available hereby and by said section 32, and, notwithstanding expenditures under such stamp plan the 25 percentum provision shall continue to be calculated on the aggregate amount available hereunder and under said section 32 (7 U.S.C. 612c; 53 Stat. 975)"

The effect of the foregoing proposed change in language is two-fold. In the first place, it exempts the stamp program from the 25 percent limitation on expenditures for any one agricultural commodity in carrying

out the purposes of Section 32. Secondly, it makes it unnecessary to take the stamp plan into account in applying the limitation to other surplus removal and export programs for a particular commodity.

It is impossible to determine with any accuracy what portion of the surplus commodity stamps issued will be or have been used to procure a particular commodity, because the recipient relief and low-income families have a choice of using these stamps for any or all commodities listed as surplus by the Secretary of Agriculture. Since no stamps issued are earmarked for any one commodity, necessarily the cost of redemption can not be broken down among the commodities procured. The tremendous administrative machinery that would be necessary to provide such earmarking and accounting would be exceedingly costly to the Federal Government and probably would so encumber the operations of the stamp program as to bog it down completely. In addition, under such a rigid control of the stamps, the benefit of permitting a free choice of commodities by the recipients would be lost and the morale of the needy and underfed would be impaired.

It is requested that the stamp program be exempted from the twenty-five percent commodity limitation, in order to eliminate confusion and uncertainty in attempting to carefully observe the limitation on other surplus removal and export programs.

WORK UNDER THIS APPROPRIATION

Under this appropriation programs are formulated and operated (1) to encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) to encourage the domestic consumption of such commodities or byproducts by diverting them, through the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce, or by increasing their utilization through benefits, indemnities, donation or by other means, among persons in low income groups as determined by the Secretary of Agriculture; and (3) to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

General Statement

Stabilizing supplies and prices and avoiding waste by balancing shipments to demand has been the fundamental principle of marketing programs carried on by the Division of Marketing and Marketing Agreements and the Federal Surplus Commodities Corporation.

Stabilizing supplies and prices at a balanced level benefits both grower and consumer and prevents waste of the product. This stabilization through adjustment of shipments to market demand has been the principal objective of marketing programs undertaken through cooperative group action by producers over a period of more than twenty years. Experience

has demonstrated that with proper adjustment of shipments to demand it is possible to market a greater quantity of a given product over a marketing season at a price fair to consumers yet more remunerative to growers than if the crop were dumped on the market without regulation and without regard to what the market can take at a given time.

Unregulated competitive shipment of certain agricultural products such as fruits, vegetables, nuts, milk, and truck crops means that oversupplies follow scarcities on the same market from day to day. When the market is oversupplied prices drop to the point at which the grower may not obtain a return sufficient even to pay his marketing costs, let alone his producing cost. The glut may be so great that the goods can not be sold even at ruinously low prices and are completely wasted.

Too small a supply, on the other hand, brings a wide swing and a sudden and unreasonable increase in the prices the consumer pays. This tends to discourage consumer demand for the products concerned. In the long run the consumer who is assured of a steady supply of farm goods at uniform prices is better off than if he profits temporarily by low prices that injure producers and then has to pay extremely high prices when the supply is inadequate.

Marketing costs are relatively inflexible. Packaging, freight, and similar charges are about the same, per unit of produce marketed, regardless of the price that the produce brings. When the price falls too low the grower has little or nothing remaining when the marketing costs are paid. When prices are too high the consumer is unable to purchase the same volume of goods that he would purchase if prices were reasonable.

In recent years it has been demonstrated that for certain agricultural industries market expansion and surplus removal programs are the most practical means of supplementing the efforts of producers and their marketing organizations to prevent excess supplies of farm products from leading to farm-price collapses, waste of supplies, and eventually to unemployment in the cities.

In order to utilize surpluses of farm products and yet dispose of them in such manner that disastrous farm-price reductions would be avoided, agricultural legislation enacted since March, 1933, has vested in the Secretary of Agriculture powers for bringing about the expansion of markets and removal of surplus agricultural products.

Eight types of surplus removal and market expansion programs have been developed: (1) those for encouraging exports by the payment of indemnities to exporters representing the difference between the world and the domestic price; (2) those for increasing foreign markets by purchasing surplus commodities at the domestic price and selling them for export at the world price; (3) those for diverting the surplus to byproducts or low value uses by the payment of indemnities to cooperative associations representing the difference between the regular purchase price and the sales price to the new outlet; (4) those for encouraging new uses domestically by payment of indemnities to processors who prepare the commodities in new forms as

prescribed by the Department of Agriculture; (5) those for the development of experimental new uses involving the purchase of the product development in accordance with specifications of the Department of Agriculture and used experimentally by federal and state public agencies; (6) those for the diversion of surplus commodities to relief by purchase and distribution to the needy and underfed; (7) those for the diversion of farm products to free school lunch programs and, (8) the food stamp program for the increase of domestic consumption of farm products.

The Division of Marketing and Marketing Agreements, which administers the surplus removal activities of the Agricultural Adjustment Administration, analyzes the economic situation of the various commodities, and on the basis thereof develops the type of program or programs best designed to adjust the marketing situation. Upon approval by the Secretary these programs are administered by either the Division of Marketing and Marketing Agreements which conducts all export and diversion programs involving indemnity payments or the Federal Surplus Commodities Corporation which administers the stamp and free school lunch programs and conducts all purchase and distribution activities.

Diversion to Export

During the fiscal year 1939 the Division of Marketing and Marketing Agreements was required to develop and administer twenty-five different programs for the encouragement of exportation and domestic consumption of such commodities as cotton, tobacco, wheat, butter, oranges, figs, sweet potatoes, prunes, dates, walnuts, pears, pecans, peanuts, and hops.

Export encouragement programs have been designed to maintain a fair share of the export market for domestic agricultural products. The nationalistic policies of economic self-sufficiency, which have been pursued by several foreign nations during recent years have endangered the proportion of world trade normally enjoyed by American food products. Domestic producers of export commodities are faced with fading export markets unless active measures of export encouragement are continued to protect the United States share of world trade.

One of the most important export encouragement operations was the program to export 100 million bushels of wheat in the form of grain and flour, being conducted by the Secretary of Agriculture during the fiscal year 1939. The Federal SurplusCommoditiesCorporation, at the direction of the Secretary of Agriculture, purchased exportable grades of wheat at domestic prices and sold them to exporters for shipment to foreign markets at world prices. At the same time the Secretary of Agriculture entered into agreements with millers to encourage the exportation of wheat in the form of flour by paying an indemnity corresponding to the difference between domestic and foreign flour prices for sales abroad.

In order to maintain a fair share of the cotton export market in the fiscal year 1941, it may be necessary to increase payments under the cotton

exportation program above the present rate of 1-1/2 cents a pound. The funds available for the fiscal year 1940 at the present rate of payment will be sufficient for payments on only 4,973,000 bales. If this program is continued in the fiscal year 1941, to remove the surplus effectively provision should be made for payments on exports at least equal to the average of those for the ten-year average (1927-1936), or 6,991,000 bales. At the present rate of expenditure, exports in this volume would require the payment of over $52,000,000. Due to wartime conditions a higher rate may be necessary to make this volume of exports possible, and the total amount required would be proportionately larger, possibly as much as $69,900,000.

Other programs have been formulated to encourage the exportation of agricultural commodities under the provisions of Section 32, and a number of programs have been considered in addition to those which were put into effect. In many instances a careful analysis of the proposals in conference with their proponents indicated that export subsidies would not be effective in regaining lost foreign markets or expanding existing or new ones, and that in some instances such subsidies might seriously endanger existing foreign outlets, some of which have been expanding as a result of the trade agreement program.

Diversion to By-Products and New Uses

Programs for removing surpluses by finding and developing new foreign and domestic outlets and uses have been operated for the most part through agreements between agricultural groups and the Secretary of Agriculture. Under these agreements the agricultural groups have been authorized to acquire specified quantities of surplus commodities at stipulated prices and to divert these supplies to new outlets or uses. The difference between the cost of the commodity to the agricultural group, plus incidental handling costs, and the selling price for diversion uses has been paid from section 32 funds.

Surplus diversion programs of this type which have been in operation, in addition to the wheat and flour program already referred to, include the exportation of dark types of tobacco to the European countries; and the diversion of tobacco into nicotine, cotton products into experimental uses and road building materials, potatoes into starch and livestock feed, and peanuts into oil. Such programs have also been in operation for pears, prunes, dates, raisins, pecans, walnuts, applies, hops and sweet potatoes.

Purchases for Relief

In some instances, particularly those involving perishable agricultural commodities in which emergency conditions have developed suddenly, it was found that the above-mentioned methods of encouraging domestic consumption by the payment of indemnities were not well adapted to the problems involved. In such cases it has been found feasible to remove surpluses through direct purchases by the Government for relief distribution. In these instances the Secretary of Agriculture directs the Federal Surplus

Commodities Corporation to procure the commodity pursuant to the authority given him by the Act of June 28, 1937 (7 U.S.C. 612c). In this manner a wide variety of surplus products, including fruit, vegetables, grains, eggs, dairy products, and cotton goods, have been rapidly removed from the normal channels of trade and commerce.

Experience in handling special problems of rapid procurement and distribution has enabled the Federal Surplus Commodities Corporation to deal effectively with perishable commodities and emergency conditions. Careful planning of operations and constant simplification of procedures and organization have overcome hampering technicalities and difficulties. The Corporation has functioned as a complete operating and administrative unit, under the direction of the Secretary, in procuring surplus commodities, arranging for their immediate transportation and distribution to the States on a carlot basis or for their processing when necessary, and in providing for auditing, accounting, and paying expenses.

The principal objective of the surplus removal programs involving purchases for relief use has been to carry benefits directly to producers, Various methods of procurement have been employed by the Corporation in order to obtain the most effective results.

In recent programs for some commodities it has been found most effective for the purposes in view to purchase on the commodity exchanges; in other cases purchases at country shipping points produce better results, and in some instances it has proven beneficial to procure the products directly from producers. In a few cases the purchase of particular commodities on the basis of competitive bids, submitted in accordance with usual governmental practice, has had the desired effect on the market. The nature of the commodity and the established marketing machinery, the competitive situation in the industry, the inventory position of handlers at a particular time, the extent of organization among producers, and other factors all have been considered in determining the procedure of procurement best adapted to a particular objective.

Timeliness has been essential in many of these programs, as has reasonable promptness in making payments. In some instances it has been found much cheaper to prevent demoralization of a market by timely and substantial purchases than to attempt improvement after a decline has occurred. Prompt payments have been necessary in order to avoid dissatisfaction among producers and handlers or even less of confidence in the entire program.

Because of the highly perishable nature of most of the commodities obtained in connection with surplus removal programs, it has been necessary for the products to move quickly, directly, and in carlots from the point of procurement to the point of distribution. State relief agencies have had to take immediate possession of the commodities and distribute them to the needy and unemployed on relief rolls expeditiously, Methods have been developed to reduce inventory and spoilage losses to a minimum.

Surplus farm products purchased by the Corporation have come from every important producing area in the United States and have been distributed for relief use in all the States.

School Lunch Programs

During the fiscal year 1939 the Federal Surplus Commodities Corporation has supervised the development and maintenance of free school lunch programs for undernourished children in 14,500 schools serving an average per month of 528,000 children. During the fiscal years 1940 and 1941 special efforts are being and will be made by the Corporation to so organize this work with the cooperation of state and local public and private welfare and educational agencies that an average per month of 2,000,000 ill-fed children are served.

Food Stamp Plan

The Federal Surplus Commodities Corporation is expanding the operations of the food stamp plan for encouraging the increase of domestic consumption of surplus agricultural commodities. At the present time this plan is in operat on in twelve experimental cities. By the fiscal year 1941 it is expected that it will be in operation in 100 cities throughout the United States.

Under this plan blue stamps redeemable at local groceries in commodities listed as surplus by the Secretary of Agriculture are issued to low income and relief families of a value equivalent to 50 percent of a standard minimum food budget for each family, provided that family purchases orange stamps redeemable at local groceries in all food available of a value equivalent to the full standard minimum food budget for that sized family. By this means domestic consumption of surplus foods is increased through the normal channels of commerce in such a way that the normal trade will not be affected.

Experience has shown that the effects of the program go far beyond the direct increase of consumption by the low income and relief families. Grocers' associations have been giving extended publicity to commodities declared by the Secretary to be surplus amounting to special sales campaigns which have reached not merely the relief or low income groups but the public at large with resultant increased regular sales. Thus an expansion of this program has the effect of securing the understanding and cooperation of the general public as well as the retailers and wholesalers in the farmer's problem of moving price depressing surpluses of farm products.

THE SUGAR ACT OF 1937

Appropriation Act, 1940:	
Direct appropriation.	$31,975,000
Reappropriation from 1938 unobligated balance	16,000,000
Total available, 1940	47,975,000
Budget estimate, 1941	47,975,000

PROJECT STATEMENT

Project	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
Direct appropriations	$53,000,000	$31,975,000	$47,975,000	(1) +$16,000,000
Reappropriation from unobligated balances available in 1938	+ 1,500,000	+ 16,000,000	--- ---	(1) - 16,000,000
Total available	54,500,000 (a)	47,975,000	47,975,000	--- ---

(a) Includes $6,500,000 provided by the second Deficiency Act, 1939, including $1,500,000 reappropriated, for the administration of the Sugar Act.

INCREASE AND DECREASE

(1) The increase of $16,000,000 in direct appropriations for 1941 is offset by withdrawal of a like amount in reappropriated funds.

CHANGE IN LANGUAGE

Since $16,000,000 of the funds made available in 1940 were derived from unobligated balances of the appropriation provided by joint resolution of February 4, 1938, for the administration of the Sugar Act, appropriate change has been made in the language of this paragraph to provide for the entire amount by direct appropriation.

A second change provides that the funds shall remain available until June 30, 1942. This appropriation consists largely of amounts required for payments to producers for the 1940 program. Without the proposed additional language payment could not be made from this appropriation on the 1940 program to any producer whose application for payment shall have been filed with the Department subsequent to June 30, 1941. In certain localities harvesting of the sugarcane crop is completed near the end of the fiscal year and some of the applications may not be submitted prior to July 1, 1941 and will, therefore, become obligations against the appropriation for the fiscal year 1942. At the time the budget estimates for 1942 are prepared it will not be possible to anticipate the amount of such prior obligations which will be deferred to that fiscal year. If the item should not include this provision, an extensive carryover of obligations could conceivably bring about a deficiency in the appropriation anticipated for 1942 and the necessity of requesting a supplemental appropriation for that year, even though a balance sufficient to cover these obligations remained unexpended from the 1941 appropriation.

The further change of language, proposed by the Bureau of the Budget, specifies that funds under this appropriation shall not be expended for payments to producers on the 1940 program, provided on July 1, 1940, Title II or Title III of the Sugar Act shall be in suspension by proclamation of the President pursuant to Section 509 of the Sugar Act. Title II provides for sugar marketing quotas and allotments. Title III provides for conditional payments to sugar growers. It is the intention of this provision to prevent funds herein provided for from becoming obligated unless both titles of the Act shall be in full force and effect when the funds become available.

WORK UNDER THIS APPROPRIATION

This appropriation is used for carrying into effect the provisions of the Sugar Act of 1937, approved September 1, 1937 (50 Stat. 903-916). Pursuant to Title IV of this Act, excise taxes amounting to approximately $68,000,000 are collected annually through the Treasury Department. The objects of this Act are:

(1) The establishment of quotas and allotments regulating the supply of sugar available for marketing in the continental United States and from all sugar producing areas supplying United States market which will (a) stabilize the price of sugar so that the consumers are not required to pay average prices in excess of those necessary to maintain the domestic industry as a whole, (b) protect the domestic industry, and (c) sustain or expand an export trade with countries marketing sugar in the United States.

(2) The making of conditional payments with respect to sugar or liquid sugar commercially recoverable from sugar beets or sugarcane grown on farms for the extraction of sugar, or liquid sugar conditioned upon (a) the elimination of child labor; (b) payment of fair or equitable wages to field laborers; (c) adjustment of the production of sugar beets and sugarcane on each farm to the amount required to provide the farm's proportionate share of the corresponding sugar market quota; (d) in the case of processor-growers, the payment to other growers from whom they purchase sugar beets and sugarcane of fair and reasonable prices for such sugar beets and sugarcane; and (e) the carrying out of approved farming practices for preserving and improving the fertility of the soil and for preventing soil erosion.

(3) The making of surveys and investigations to accomplish the purposes of the Act and also the making of recommendations in accordance therewith with respect to the terms and conditions of contracts between the producers and processors of sugar beets and sugarcane and the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane.

The Sugar Division has been designated by the Secretary of Agriculture as the agency responsible for carrying into effect the provisions of this Act.

Under the authority contained in section 502(b) of the Sugar Act of 1937, allotments have been made, as shown in the budget, from the appropriation for administration of the Sugar Act to the Sugar Division and to other bureaus of the Department of Agriculture and transfers have been made to other Government agencies which have been called upon to cooperate or assist in the administration of this Act.

On September 11, 1939, the President, pursuant to the recommendations of the Secretary of Agriculture, issued a proclamation temporarily

suspending operation of Title II of the Act. It suspended the quota restrictions on marketings both of domestic and foreign areas.

The foregoing action was taken in accordance with the provisions of section 509 of the Sugar Act of 1937 which provides:

> "Whenever the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall by proclamation suspend the operation of title II or III above, which he determines, on the basis of such findings, should be suspended, and, thereafter, the operation of any such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section."

The temporary suspension of the quotas was necessitated by conditions which had developed in the first few days of September. Immediately following the outbreak of the war a spectacular advance in the price of sugar occurred. The No. 3 and No. 4 contracts advanced the full 25 points permitted by the Exchange regulations each day for the first three days of trading and nearly 25 points on the fourth day of trading. Concurrently, spot raw sugar which had been selling at levels of approximately $2.85 to $2.90, duty paid basis, advanced to $3.75 to $3.85, while refined sugar which on August 25 was quoted at a wholesale price of $4.40 was soon quoted at $5.75 per bag. Corresponding increases occurred in the retail price of sugar. Withdrawals from retail channels were of record proportions, the hoarding movement spreading throughout the entire United States. Processors were advising buyers that due to the restrictive allotments in effect under the quota system they were unable to fill their demands.

At the time of issuance of the proclamation, the President pointed out that while the quota provisions of the Act were being suspended they could be reimposed if the interests of domestic producers required such action. The President had in mind the clause in section 509 of the Act which provides for the reinstatement of the quota provisions when "the President finds and proclaims that the facts which occasioned such suspension no longer exist." It is impossible to determine at this time whether the quotas will be reinstated for the year 1940. On September 29, 1939, the Secretary made public the following statement:

> "With the suspension of sugar quotas under the Sugar Act of 1937, all restrictions upon the marketings of sugar have been removed. All producers of sugar cane and sugar beets who meet the conditions of payment under the Sugar Act of 1937 will be paid in full for the 1939 program. However, the conditions for payment on the 1939

crop cannot be met by the destruction of sugar cane or sugar beets, and payments will be withheld in cases where sugar cane or sugar beets are destroyed for purposes of compliance or for any other purposes.

"In view of the suspension of quotas, no program or payments under the provisions of Title III of the Sugar Act is in effect or contemplated at this time for the 1940 crop in any producing area."

In any event, if the quotas remain in suspense on July 1, 1940, funds provided in this item will not be available for payment to growers in connection with the 1940 program.

Because of the uncertainty as to future action under Section 509 of the Act, it is essential to keep current the records which may be required for further quota control purposes. It will be necessary to retain the small staff of clerks engaged in the collection and compilation of statistical data which are used in part as a basis for quota control. Only two employees (an economist and a stenographer) in the Department are exclusively engaged in marketing quota and allotment work. The Solicitor's Office, as part of its general service to the Sugar Division, participates in allotment hearings and in preparing quota dockets. Actual control of marketings of sugar from offshore areas is effected at the ports of entry by the Bureau of Customs which cooperates with the Sugar Division without any charge against the sugar appropriation. Marketing allotments in the mainland sugar producing areas were established this year for the first time but no additional expenses have as yet been incurred in their enforcement.

The President's proclamation did not alter the provisions of Title III of the Sugar Act of 1937 under which the Department is obligated to make conditional payments to producers. At the time of issuance of the proclamation the President stated, "It should also be noted that domestic sugar producers will continue to receive payments under the 1939 conditional payment program now in effect. Producers will, of course, understand that under provisions of the Sugar Act it should not be assumed that payments can be made with respect to future crops so long as quotas must be continued in suspension." He did not, however, announce suspension of the 1940 payments, which, in fact, would require a recommendation by the Secretary of Agriculture to the President and a proclamation by the President suspending Title III of the Sugar Act of 1937, pursuant to section 509 of that Act.

A number of difficulties would arise in connection with suspension of Title III of the Sugar Act. The purposes of that title are fourfold:

(1) Prevention of expansion of the subsidized domestic industry beyond quota levels.

(2) Appropriate distribution of the returns to the industry between processors, growers, and laborers, which is accomplished by the conditional payment provisions relating to fair and reasonable wages and prices for

sugar beets and sugarcane.

(3) Prevention of child labor.

(4) Preserving and improving the fertility of the soil and preventing soil erosion.

Suspension of Title III would make it impossible to take care of the foregoing objectives of the Act. Consequently, should the emergency brought on by the war terminate, it would be necessary to make Title III effective again.

In view of the foregoing, the Department has presented estimates for the administration of the Sugar Act in 1941 on the basis of continuance of Title III during the 1940 crop as provided for in the Act.

The estimates of administrative expenses in 1941 exceed those for 1940 by $26,873, which is offset by a corresponding decrease in the estimate of conditional payments to sugar growers. The increase in administrative expenses is due to (1) provision for expenditures of $10,500 in 1941 in connection with the International Sugar Agreement, (2) the normal accumulation of unsettled claims for payments to producers with respect to prior program years, and (3) additional work designed for more effective protection of consumers against unwarranted rise in sugar prices and excessive margins of processors and distributors which it is one of the purposes of the Act to prevent. To provide for the needs referred to under (2) and (3) above, it is contemplated that the staff will be slightly increased during the course of the fiscal year 1940, assuming, of course, that the suspension of powers referred to above will be temporary. The amount for personal services will of necessity show an increase in 1941, the new employees being paid for 12 months of service as compared with employment for only a portion of the year 1940.

Funds required for participation of the United States in the work of the International Sugar Council represent a new expense under this item, since they were covered in 1940 in the appropriation for "Salaries and expenses, Agricultural Adjustment Administration." This obligation arises from the International Agreement Regarding the Regulation of Production and Marketing of Sugar, ratified by the Senate on December 20, 1937.

Experience of the Department has demonstrated that after about two years of administering a program of payments to growers some additional expense is incurred in disposing of claims in connection with prior years' programs which, because of their complex nature, require special investigation and consideration.

The surveys, investigations and research required under sections 510 and 511 of the Act (which have of necessity been largely deferred during the previous fiscal years because of pressure for carrying out the "action programs") will now be carried out, leading to recommendations to be made with respect to terms and conditions of contracts between the producers and processors of sugar beets and sugarcane and the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane or the making public of information deemed necessary in achieving the various objectives of the Sugar Act.

INTERNATIONAL PRODUCTION CONTROL COMMITTEES

This item continues during the fiscal year 1941 the authority contained in the 1940 Agricultural Appropriation Act enabling the Secretary of Agriculture to utilize funds available for Agricultural Adjustment to cover the cost of United States membership in the International Wheat Advisory Committee or like events or bodies concerned with the reduction of agricultural surpluses, etc., and to provide for travel and incidental expenses in connection with such participation. The amount authorized for this purpose in 1940 ($17,500) remains unchanged in the 1941 Estimates.

Funds appropriated for effectuating the aims of crop control programs, conservation programs, and encouragement of exports have been made available, since the fiscal year 1935, for the payment of expenses of International Production Control Committees through a limitation heading bearing that title which has been contained in the Department of Agriculture appropriation bill.

Since that time expenses of representatives of the United States Department of Agriculture attending sessions of the International Wheat Advisory Committee have been paid under the authority contained in this limitation. Since the fiscal year 1938, expenses have also been paid on account of the International Sugar Council. In addition, this limitation has covered the reimbursement of the State Department for its payment of the United States' share of the costs of the Committee and the Council. Expenses incurred by the Department in connection with the International cotton meeting held in Washington, D. C., September 5 to 9, 1939, were also paid from this fund.

THE PRESENT STATUS OF AGREEMENTS

The outbreak of war in Europe in early September, 1939, could not fail to affect the operation of international agreements already in effect and the negotiations for new ones. In respect to those already in effect, however, the result has been to continue the machinery, at least in skeleton form, in order that the progress made in the past will not be completely nullified. As a matter of fact, the war has intensified the need for international action in respect to certain commodities, particularly cotton and wheat, the export surpluses of which are the largest on record.

International Wheat Advisory Committee

During July and August last negotiations were conducted between the four major exporting countries, Argentina, Australia, Canada and the United States, in London, England. Discussions had reached a very promising stage when war was declared between Germany and England and negotiations were suspended. The Secretariat of the Wheat Advisory Committee, however, is continuing its statistical

services, and contributions are still being made by the member countries for that purpose.

International Sugar Council

Despite the outbreak of war, the International Sugar Agreement continues in full force, as none of the contracting governments has applied for suspension of its obligations.

An informal meeting was held between representatives of fourteen of the member countries in November, at which time it was decided that the Agreement should be continued and that informal discussions should be held from time to time among such representatives as might be in London or who could easily meet there. It was considered important to keep the Agreement alive in order to prevent the repetition of the chaotic conditions which followed the last war.

International Cotton Meeting

The United States Government took the initiative in calling an International Cotton Meeting to convene in Washington September 5, 1939. Delegates from ten of the principal cotton exporting countries attended. The delegates discussed the world cotton situation and agreed that the regulation of the world cotton supply in relation to demand would help materially in improving the existing unbalanced situation. The delegates felt that under normal conditions steps designed to achieve international agreement for this purpose should be recommended, but under existing international conditions such a course was impracticable at this time. As an interim measure the delegates recommended the establishment of an advisory cotton committee representing the countries participating in the conference and to include additional representatives from other cotton growing and exporting countries, to observe and keep in close touch with the world cotton situation and to suggest any measures that the committee considers suitable and practicable for the achievement of ultimate international cooperation. Such an advisory committee is now being formed and a secretariat will be established in Washington.

CHANGE IN LANGUAGE

Language changes are recommended in this item which are designed to make possible payment of obligations coming within this limitation from any funds available to the Secretary of Agriculture. This is particularly desirable in view of the fact that the International Sugar Council tends to serve as a method of achieving some of the objectives of the Sugar Act of 1937, and it is proper that cost of American participation in the Council will be paid from the appropriation for carrying into effect the Sugar Act of 1937. Since the Sugar Act of 1937 is not now administered by the Agricultural Adjustment Administration, this change in language is recommended in order that these funds may be utilized for the purposes of this paragraph.

FEDERAL CROP INSURANCE CORPORATION

(a) ADMINISTRATIVE AND OPERATING EXPENSES

Appropriation Act, 1940:		
Direct appropriation		$5,423,200
Reappropriation from unobligated balance of 1939 funds		500,000
Total available, 1940		5,923,200
Budget Estimate, 1941:		
Direct appropriation	$5,428,928	
Reappropriation from unobligated. balance of 1940 funds	100,000	
Total available, Budget Estimate, 1941		5,528,928
Decrease		-394,272

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increases or Decreases
1. General administration, program planning and direction, and business service	$425,503	$462,260	$448,560	(1) - $13,700
2. Research and development in connection with establishment of bases for crop insurance	125,993	148,380	145,180	(2) - 3,200
3. Approval of bases for crop insurance yield and premium rates in individual counties, accounting for premiums collected and purchase, storage and sale of wheat reserves (Federal Crop Insurance Corporation Field Offices)	1,295,227	1,100,590	895,490	(3) - 205,100
4. Storage and direct expenses incident to the acquisition, maintenance and sale of wheat (except transportation)	367,069	1,341,330	1,241,330	(4) - 100,000
5. Collection of data for use in establishing crop insurance yield and premium rates, taking and recommending for approval applications for crop insurance, collection of premiums and adjustment of loss claims (Agricultural Adjustment Administration and State and County Agricultural Conservation Committees)	2,578,306	2,870,640	2,792,640	(5) - 78,000

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increases or Decreases
6. Additional for Administrative promotions.....	---	---	5,728	(6) + 5,728
Unobligated portion of allotment of $5,500,000 from "Conservation and use of agricultural land resources 1938" returned to that appropriation.....	207,902	---	---	---
Total appropriation.....	5,500,000	5,923,200	5,528,928	- 394,272

INCREASES OR DECREASES

The net decrease of $394,272 in this item for 1941 consists of:

(1) A reduction of $13,700 for general administration, program planning and direction, and business service, including:

(a) $1,500 in the allotment to the Office of the Secretary of Agriculture for executive direction of the crop insurance program and centralized departmental services, such as personnel, accounts, etc.

(b) $12,000 in the allotment to the Office of the Solicitor for legal services on the crop insurance program.

(c) $200 in the allotment to the Office of Information for coordination of printing and binding service, illustrating service, etc.

No major change is planned in this project for 1941. It is believed that the reductions in expenses will be made possible through simplification of program and procedure to be accomplished as a result of experience gained in the 1939 and 1940 seasons of operation.

(2) A reduction of $3,200 for research and development in connection with establishment of bases for crop insurance, consisting of a reduction of the allotment to the Bureau of Agricultural Economics for cooperative research service on crop insurance made possible by a reduction in the amount of travel involved in the research work carried on by this bureau.

There are no major changes planned for this project for 1941. Experience to date shows that the plan of cooperative research between the Bureau of Agricultural Economics, Agricultural Marketing Service, Agricultural Adjustment Administration, and the Federal Crop Insurance Corporation is working satisfactorily and should not be changed.

(3) A decrease of $205,100 for approval of bases for crop insurance yield and premium rates in individual counties, accounting for premiums collected and purchase, storage and sale of wheat reserves (Federal Crop Insurance Corporation field offices).

The major part of the activities of the Federal Crop Insurance Corporation is carried on in the field offices, there being only a base staff in the Washington headquarters office for overall administration. As a result of the experience gained in the first two years of operation, 1939 and 1940, it is anticipated that for the fiscal year 1941 the crop insurance program and procedures in the field may be simplified somewhat and some of the details eliminated or modified without in any way damaging the program. As a result of this simplification it is anticipated that refinements may be made in the organization of the field offices of the Corporation to effect a substantial reduction in expense. Furthermore, additional responsibility for processing crop insurance applications has been shifted from the Corporation branch offices to the State and county agricultural conservation offices making possible further reduction in expense for this project.

The estimated reduction in expenditures is itemized as follows:

Decreases
Personnel:
Field:

2 Statisticians	$7,600
1 Associate statistician	3,200
2 Asst. agricultural economists	5,200
1 Jr. agricultural economist	2,000
3 Nurses	4,860
4 Sr. administrative officers	23,400
2 Fiscal accountants	6,500
2 Transportation rate auditors	6,500
2 Administrative assistants	5,900
1 Jr. administrative assistant	2,600
2 Jr. marketing specialists	5,200
1 Principal clerk	2,300
22 Senior clerks	45,200
1 Transportation rate clerk	2,000
1 Statistical clerk	1,800
2 Clerk stenographers	3,600
17 Assistant clerks	28,180
1 Correspondence clerk	1,620
1 Asst.-clerk stenographer	1,620
1 Senior operator	1,620
19 Junior clerks	28,580
8 Junior clerk stenographers	11,520
3 Junior clerk typists	4,380

Estimated reduction in expenditures - continued.

Decreases		
Personnel:		
Field:		
1 Junior stenographer	$1,440	
5 Senior typists	7,380	
4 Jr. Calculating machine operators	5,760	
18 Under clerks	23,160	
6 Junior typists	7,560	
1 Under operator	1,260	
2 Guards	2,400	
6 Assistant messengers	6,480	
Temporary personnel	720	$261,540
Less additional personnel:		
1 Marketing specialist	$3,800	
3 Sr. Administrative Assts.	9,600	
32 Clerks	57,600	
2 Under clerk typists	2,640	
3 Messengers	3,600	
Estimated decreases in lapses	200	77,440
Total personnel reduction		184,100
Supplies and materials		3,500
Transportation of things		6,500
Rent		5,000
Miscellaneous		6,000
Total		205,100

(4) A decrease of $100,000 for storage and direct expenses incident to the acquisition, maintenance, and sale of wheat (except transportation).

It is estimated that this project can be operated successfully with the reduction indicated in the estimates under the estimated expense for this item for the 1940 fiscal year. At the time the estimate was made for this project for the 1940 fiscal year, it was anticipated that there would be some carry-over of grain reserves from the 1939 program year, thus requiring an expenditure for care and storage. Actually, the approved loss claims paid in the 1939 program exceeded the total of premiums collected and thus all wheat reserves set up in the 1939 program were exhausted, which meant that there was no carry-over of reserves into the 1940 program year on which storage had to be paid. As a result of this, a substantial reduction in expense can be shown by this project for the 1940 fiscal year.

Although an increase in participation in the 1941 program is expected with an attendant increase in the wheat reserve of the Corporation, it is anticipated that the amount needed for this project during the fiscal year 1941 will approximate the current expenditure estimate for the 1940 fiscal year, namely, $1,241,330. This will be possible because of a closer coordination of all grain activity of the Federal Crop Insurance Corporation with similar activities of all other Departmental agencies which will bring about better planning in the physical location of the grain reserves, a saving in storage expense through inter-agency transfers of free storage credits, better individual planning which will permit taking better advantage of free storage periods and more advantageous purchases and sales of wheat by cancelling out purchase and sales transactions between the various branch offices of the Corporation and between the Corporation and other Departmental agencies dealing in wheat. This should also effect a reduction in handling and conditioning costs of wheat reserves through sale or movement of "out of condition" wheat.

(5) A decrease of $78,000 for collection of data for use in establishing crop insurance yield and premium rates, checking and recommending for approval applications for crop insurance, collections of premiums and adjustment of loss claims (Agricultural Adjustment Administration and State and County Agricultural Conservation Committees), as follows:

(a) A reduction of $23,000 in the allotment to the Agricultural Adjustment Administration for the participation of their Washington office and the offices of the State agricultural conservation committees made up of changes as follows:

Personnel.....	+ $ 1,632
Travel.....	- 20,000
Furniture and equipment....	- 4,632
Net reduction.....	- 23,000

This reduction is made possible by a revision of the plan of operation in the Washington office of the Agricultural Adjustment Administration and the State offices of the agricultural conservation committees in connection with crop insurance. Responsibility for additional details in processing crop insurance applications has been transferred to the State offices, whereas procedure has been simplified, the net change being a slight increase in personnel cost. Substantial reduction in travel expense is possible because the personnel in all offices are now better trained in the requirements of the crop insurance program and less travel between Washington, branch, State, and county offices is necessary. Because of increased responsibility there will be need for additional equipment, although it is anticipated that this item can be reduced in total as indicated.

(b) A reduction of $5,000 in the allotment to the Agricultural Marketing Service for market news service on grain prices furnished to field offices. New plans are now in progress which if successful will eliminate the need for this service for 1941.

(c) A reduction of $50,000 in the allotment made to the Federal Crop Insurance Corporation to cover the expenses of the County Agricultural Conservation Committees cooperating in the crop insurance program. The major expense for the collection of basic data for the establishment of crop insurance yields and rates was borne by appropriations for the 1939 and 1940 fiscal years. It is anticipated that there will be a substantial saving in this item for the 1941 fiscal year because the only additional work to be done on this phase of the program will be to make whatever adjustments and revisions in these basic data as are found necessary by experience and to incorporate the actual crop production data for the 1940 program year. However, a large part of this saving will be offset by additional expense incurred through extension of the program into new areas, increased participation in the program, and expansion of work incident to adjustment of losses.

(6) $5,728 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget estimates for 1941.

WORK UNDER THIS APPROPRIATION

General.--Work under this appropriation includes general administration of the wheat crop insurance program under the Federal Crop Insurance Act; educational work among farmers incident to the presentation and operation of crop insurance; development of actuarial data required to establish yield and premium rates; analysis of yield and rate data and approval of yield and premium rates; acceptance of applications for wheat crop insurance; receiving of premiums and conversion into wheat reserves required; storage and care of wheat reserves; adjustment of loss claims and conversion of wheat to cash to pay approved claims and research into the practicability of crop insurance for other agricultural commodities than wheat. This work is divided into the following projects:

(1) General administration, program planning and direction, and business service.--This project provides for an executive and administrative staff in the Washington headquarters office of the Federal Crop Insurance Corporation for the general planning and direction of the work of the crop insurance program and a staff to execute the necessary service and clerical functions appertaining thereto. The Federal Crop Insurance Corporation is immediately responsible for the crop insurance program although its direct services are augmented by cooperation from several other bureaus and offices of the Department of Agriculture.

(2) Research and development in connection with establishment of bases for crop insurance.--This project provides for conducting research on problems relating to crop insurance as applied to wheat and various other agricultural commodities with the object in mind of developing, wherever feasible, sound crop insurance plans for various agricultural commodities as authorized by the Federal Crop Insurance Act. Wheat was the only agricultural commodity on which sufficient statistical data were available at the time with which to work out practical premium rates and therefore the original crop insurance program included wheat crops only. However, the Act recognized the need for crop insurance on other agricultural commodities and directed that this research be done. Good progress has been made in assembling data on cotton, and the details worked out thus far indicate the desirability of continuing this study. Corresponding studies are going forward with reference to corn, tobacco, and citrus fruits. It is planned that this project will be carried forward to include at least all major agricultural commodities and to extend and refine the statistical and actuarial data on wheat. This research work is done under the direction of the Federal Crop Insurance Corporation, however the facilities already established and available in other bureaus are utilized to a very large extent.

(3) Approval of bases for crop insurance yield and premium rates in individual counties, accounting for premiums collected and purchase, storage and sale of wheat reserves (Federal Crop Insurance Corporation field offices).--The experience of the Corporation indicates that the most expedient and practical method of administering the crop insurance program is through branch offices located at strategic points in the area served in order that required analyses of rate and yield data and applications may be made expeditiously, that wheat reserves may be purchased and stored near the area from which premiums are collected, and that closer contact may be maintained with the state and county offices which administer the program locally. During 1939 only three

branch offices participated in the processing of insurance applications located as follows: Kansas City, Missouri; Minneapolis, Minnesota; and Washington, D. C. Two other offices were in operation located in Spokane, Washington and Indianapolis, Indiana, but were relatively small and participated only in the grain operations. In 1939, 165,602 crop insurance policies were written on farms distributed over 31 wheat-producing states. As of November 7, 1939, 45,258 approved loss claims in 31 states had been paid against policies written in 1939, representing total indemnities of 8,329,169 bushels of wheat. As of November 9, 1939, 302,796 crop insurance premiums had been collected in the 1940 program. representing 11,074,678 bushels of wheat with an estimated insured coverage of 83,198,994 bushels of wheat on 8,605,679 acres and with applications still being accepted in the spring wheat area. In 1941 it is anticipated that there will be still greater participation. As more experience is gained it will undoubtedly be possible to extend wheat crop insurance into those areas which to date it has not been practical to reach because of too small farms or too few farmers. Also additional participation will come as more wheat farmers become better acquainted with the program.

This project also provides for a relatively small Grain Control Office located in Chicago, Illinois, to coordinate all the grain activities of the various branch offices of the Corporation including the conversion of premiums collected into wheat reserves, determining basic markets, selling of wheat reserves to pay approved loss claims, etc.

(4) Storage and direct expenses incident to the acquisition, maintenance and sale of wheat (except transportation).--This project provides for the expense of storing, handling and conditioning of the wheat reserves of the Federal Crop Insurance Corporation but does not include transportation of personnel. The intent of the Federal Crop Insurance Act was that all reserves of the Corporation set up against the liability of crop insurance written, should be carried in kind. The principle behind this requirement is that the Corporation insures yield only and not price, that it eliminates the possibility of loss or gain to the Corporation through fluctuation in price, and that the act of collecting premiums in kind in bumper crop years, storing the actual commodity and paying indemnities in kind in lean crop years tends to stabilize the market for that commodity and increase farmer income. During the 1939 season approximately 7,000,000 bushels of wheat (or the cash equivalent which was converted into wheat) were collected as premiums by the Corporation on wheat crop insurance written. This wheat was stored in 73 storage warehouses, which after careful check as to reliability were approved by the Board of Directors of the Corporation, located at strategic points over the area served. As of November 9, 1939, 11,074,678 bushels of wheat had been collected with applications still being accepted, and it is expected that in 1941 there will be even greater participation in the program. Approved loss claims paid in 1939 program exceeded the total of premiums collected and thus all wheat reserves set up in the 1939 program have been exhausted. At the time the Federal Crop Insurance Act was passed, Congress recognized that there would inevitably be years when this would happen and provided a capital fund from which deficiencies could be made up to be paid back in years when premiums exceeded loss claims paid.

(5) Collection of data for use in establishing crop insurance yield and premium rates, taking and recommending for approval applications for crop insurance, collection of premiums and adjustment of loss claims (Agricultural Adjustment Administration and State and County Agricultural Conservation Committees).--The Federal Crop Insurance Act authorized the Federal Crop Insurance Corporation to "establish or utilize committees or associations of producers in the administration of the Act" and further authorized "payments to such committees or associations to cover estimated administrative expenses to be incurred by them in cooperating in carrying out" the provisions of the Act. Under this authority, agreements were entered into with the State and County Agricultural Conservation Committees, already existing and functioning in coordinating other agricultural programs, to handle the local administration of the crop insurance program. This involved a total of 1,754 county offices in 34 wheat-producing states and obviated the necessity for the Corporation setting up an extensive field force thus effecting economies by utilizing personnel already trained in agricultural programs, avoiding renting additional offices, hiring supervisory personnel, training a new field staff, and similar expenses and at the same time effecting a close coordination with all other agricultural programs. The Agricultural Adjustment Administration provides supervisory assistance to the state committees which in turn coordinate the work of the county committees. The county committees assemble statistical data on crop production on the various farms in their respective counties and make recommendations for crop insurance premium rates to the branch offices of the Corporation through their state committees. They also communicate with farmers regarding crop insurance, accept applications and premium payments and transmit these for final approval to the branch offices of the Corporation through their state committees. These committees also adjust loss claims and make recommendations for indemnity payments.

(b) SUBSCRIPTION TO CAPITAL STOCK

Of the $20,000,000 made available by the Agricultural Appropriation Act, 1939, by reappropriation from the unobligated balance of the 1938 appropriation for "Conservation and Use of Agricultural Land Resources, Department of Agriculture," $10,000,000 was requisitioned in 1939 and $5,000,000 in 1940, leaving a balance of $5,000,000 still available for requisition for capital stock investment.

FARM TENANT ACT

Three items are grouped under this head in the Agricultural Appropriation Act: (1) "Farm Tenancy" (Title I of the Bankhead-Jones Farm Tenant Act of July 22, 1937; 7 U.S.C. 1000-1006); (2) "Liquidation and Management of Resettlement Projects" (Title IV of the Farm Tenant Act); and (3) "Land Utilization and Retirement of Submarginal Lands" (Title III of the Act).

Responsibility for carrying out the purposes of Title I (tenancy loans) and Title IV (liquidation and management of resettlement projects) has been assigned to the Farm Security Administration.

In the case of activities under Title III (land utilization program), responsibility for the development of the land utilization program has been assigned to the Bureau of Agricultural Economics, and activities dealing with the acquisition, improvement, protection, and administrative phases of the work are assigned to the Soil Conservation Service.

(a) FARM TENANCY

Appropriation Act, 1940:		
Direct appropriation.....	$40,000,000	
Reappropriation of unexpended balance of 1939 appropriation..	775,000	
Total available, 1940.....	$40,775,000	
Budget Estimate, 1941.....	25,000,000	(a)
Decrease.....	$15,775,000	

(a) In addition, the unexpended balance of the 1940 appropriation (at present indeterminate) to be reappropriated in 1940.

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Farm tenancy loans..	$23,854,990	$38,736,250	$23,750,000	-$14,986,250
2. Technical services, including county committees.....	660,150	1,255,590	742,225	- 513,365
3. Administrative expenses.....	434,860	783,160	507,775	- 275,385
Total obligations...	24,950,000	40,775,000	25,000,000	-15,775,000 (1)
Unobligated balance of 1938, reappropriated 1939.....	- 725,000	---	---	---
Unobligated balance of 1939 reappropriated...	+ 775,000	- 775,000	---	+ 775,000
Total appropriation...	$25,000,000	$40,000,000	$25,000,000	-$15,000,000

DECREASE

(1) Reduction in farm tenancy loans, $15,000,000.-- While there is an apparent decrease of $15,775,000 in funds available under this item for 1941, since the unobligated balance of the appropriation for the fiscal year 1939 ($775,000) was reappropriated in 1940, the actual reduction below the 1940 appropriation is $15,000,000.

Under the estimate for 1941, it is contemplated that approximately 4,420 farm tenancy loans will be made, a decrease of 2,785, compared with the 7,205 to be made during the current fiscal year. The program will be prosecuted in about 750 counties of the 1,289 counties being reached during the current fiscal year.

In addition to the contemplated reduction in the funds to be available for farm tenancy loans, all costs incidental thereto will be reduced proportionately so that, as limited by the Bankhead-Jones Farm Tenant Act, the amount expended for other than loans will not exceed 5 percent of the amount appropriated.

The following table shows the allotments of funds for loans, by States, for the fiscal year 1940 and the approximate allotments for the fiscal year 1941, according to the basis for equitable distribution of loans as set forth under Title I, Section 4, Bankhead-Jones Farm Tenant Act:

Farm Tenancy Loan Allotments by States, 1940, and Estimated for 1941

States and Territories	Allotment, 1940	Allotment, 1941 (estimated)	Decrease
Alabama	$2,500,541	$1,533,133	$967,408
Arizona	49,814	30,550	19,264
Arkansas	1,980,662	1,214,380	766,282
California	369,543	226,566	142,977
Colorado	301,291	184,723	116,568
Connecticut	29,246	17,920	11,326
Delaware	47,257	28,978	18,279
District of Columbia	353	216	137
Florida	250,352	153,488	96,864
Georgia	2,579,640	1,581,631	998,009
Idaho	158,624	97,251	61,373
Illinois	1,266,636	776,590	490,046
Indiana	753,924	462,239	291,685
Iowa	1,342,870	823,344	519,526
Kansas	866,065	531,007	335,058
Kentucky	1,357,086	832,059	525,027
Louisiana	1,531,089	938,737	592,352
Maine	35,637	21,854	13,783
Maryland	183,803	112,691	71,112
Massachusetts	28,316	17,355	10,961
Michigan	446,668	273,863	172,805
Minnesota	872,573	534,995	337,578
Mississippi	2,602,340	1,595,560	1,006,780
Missouri	1,284,377	787,469	496,908
Montana	151,265	92,755	58,510
Nebraska	800,717	490,939	309,778
Nevada	6,198	3,799	2,399
New Hampshire	15,533	9,516	6,017
New Jersey	71,894	44,069	27,825
New Mexico	100,636	61,698	38,938
New York	311,555	191,033	120,522
North Carolina	2,143,276	1,314,083	829,193
North Dakota	421,721	258,561	163,160
Ohio	911,309	558,742	352,567
Oklahoma	1,738,366	1,065,839	672,527
Oregon	150,994	92,575	58,419
Pennsylvania	432,731	295,971	136,760
Rhode Island	8,405	5,148	3,257
South Carolina	1,650,009	1,011,654	638,355
South Dakota	436,914	298,538	138,376
Tennessee	1,690,721	1,036,627	654,094
Texas	3,725,458	2,284,165	1,441,293
Utah	57,600	35,323	22,277
Vermont	37,380	22,926	14,454
Virginia	869,202	532,938	336,264
Washington	187,870	115,185	72,685
West Virginia	405,491	248,615	156,876
Wisconsin	538,744	330,315	208,429
Wyoming	48,536	29,770	18,766
Alaska	2,103	1,289	814
Hawaii	328,522	201,413	127,109
Puerto Rico	554,393	339,915	214,478
Total	$38,736,250	$23,750,000	$14,986,250

WORK UNDER THIS APPROPRIATION

General.-- This appropriation is intended to promote stability of the farm population and conservation of agricultural resources by enabling a limited number of farm tenants to become farm owners, and to mitigate the economic instability resulting from insecure land tenure and a consequent mining of farm land for immediate returns. This appropriation provides for the making of loans in the United States and in Alaska, Hawaii, and Puerto Rico to farm tenants, farm laborers, sharecroppers, and other individuals who obtain, or who recently obtained, the major portion of their income from farming for the purpose of acquiring farms. The disappearance of the frontier, followed by more exacting leasing arrangements, land speculation, high prices of farms, and prohibitive credit terms, have made it impossible for many farm tenants to attain stability or to become farm owners without public assistance. The number of farm tenants is increasing at the rate of 40,000 per annum.

1. Farm Tenancy Loans.-- Under the authorization by Congress in the Bankhead-Jones Farm Tenant Act, farm tenancy loans are being made to farmers who cannot obtain adequate credit from other sources to buy farms on reasonable terms. These farm tenancy loans, made for a 40-year period at 3 percent interest, are intended to buy family-sized farms large enough to yield a living to the borrower and his family and to enable him to retire the loan. Borrowers are required to make annual payments, covering principal and interest, sufficient to retire the loan over 40 years. Loans are secured by a first mortgage or deed of trust on the farms purchased.

Under the amount of funds available it has been necessary to restrict loan activities to a limited number of counties selected on the basis of farm population and prevalence of tenancy. During the current fiscal year, approximately 1,289 counties are being reached, and it is estimated that 7,205 farmers will become farm owners as a result of activities under this project during the 1940 fiscal year. The appropriation requested for 1941 will permit the operation of the program in approximately 750 counties and will benefit approximately 4,420 farmers.

All funds provided under this project are being used directly for the principal amount of the loans.

2. Technical Services, including County Committees.-- The Bankhead-Jones Farm Tenant Act provides that the amount of loans shall be distributed equitably among the several States and Territories on the basis of farm population and the prevalence of tenancy. This requires the maintenance of a field organization to furnish the necessary technical assistance. The Farm Tenant Act requires the appointment of a committee of three farmers in each county in which activities are carried on. While engaged in the performance of duties each member is allowed compensation at the rate of $3 per day, in compliance with the requirements of the Act. Allowance is also made for necessary traveling and subsistence expenses and clerical assistants. State advisory committees have been organized in each State and travel and subsistence expenses are allowed the members.

During the fiscal year 1940, the sum available for such purposes provides for an organization consisting of a limited number of committees and technical personnel.

3. Administrative Expenses.-- It is necessary to maintain an organization to investigate applications, make loans, keep accounts, purchase supplies, negotiate contracts, examine vouchers and abstracts of title, draft mortgages and other legal documents, provide legal assistance, select and train personnel, etc. This personnel is distributed throughout the 48 States, the District of Columbia, and in Puerto Rico and Hawaii.

During the fiscal year 1940, the sum available is being used to provide for a limited number of personnel to carry on the various administrative activities incident to the investigation of applications, making of loans, maintaining accounts, examining abstracts of title, drafting mortgages and other legal documents, selection and appointment of qualified personnel, filing of documents, negotiating contracts for office space and services, examination of vouchers, etc. The total administrative expenses, together with the total technical services and expenses of committees described under Project 2, will not exceed the 5 percent limitation provided by the Act.

(b) LIQUIDATION AND MANAGEMENT OF RESETTLEMENT PROJECTS

Appropriation Act, 1940.....	$1,987,400
Budget Estimate, 1941.....	1,500,000
Decrease.....	- $487,400

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Decrease
1. Technical services and supervision of land development and property maintenance.....	$1,094,039	$1,121,000	$746,865	-$374,135
2. Management and collection service.....	441,293	452,250	391,215	- 61,035
3. Administrative expenses...	381,304	414,150	361,920	- 52,230
Unobligated balance.....	83,364	---	---	---
Total appropriation.....	$2,000,000	$1,987,400	$1,500,000	-$487,400 (1)

DECREASE

(1) The estimates provide for a decrease of $487,400 in the funds to be available under this appropriation for 1941. Approximately $200,000 of this reduction will be offset by a corresponding increase in the amount of income

to be derived from the operation and management of these projects, which income will be used for the purposes of this appropriation as authorized under the Bankhead-Black Act approved June 29, 1936 (40 U.S.C. 431-434). It is contemplated that the balance of the decrease, approximately $287,400 will be accomplished through a reduction in the personnel, located on the projects and in the regional and Washington offices, presently engaged in the carrying out of the purposes of this appropriation.

WORK UNDER THIS APPROPRIATION

General.-- The purpose of this appropriation is to administer, maintain, and operate those resettlement projects and rural rehabilitation projects for resettlement purposes which have been transferred to and/or completed by the Department of Agriculture.

1. Technical Services and Supervision of Land Development and Property Maintenance.-- The current construction and development program, which is virtually completed, consists of more than 160 projects located throughout the continental United States, providing homesteads for approximately 16,000 families. In order to protect the Government's investment in these units, a constant and thorough maintenance of physical properties is necessary. This includes both normal repairs and the training of occupants in keeping of their land and homes, in order to prevent deterioration of properties in which the Government has an equity.

The work involves the employment of a skilled maintenance staff, including technicians, clerical help, and other assistants. This group, together with project managers and other field employees, is responsible for the proper maintenance of more than 30,000 structures — including homes, farm buildings, and community buildings — in addition to roads and other improvements.

2. Management and Collection Service.-- In order to obtain the greatest possible return on the funds invested in the resettlement projects, it is necessary to maintain a constant and efficient management, through project managers and other skilled personnel, together with clerical help. This staff is responsible for prompt collection of monthly rents and/or payments toward purchase of the individual farms and homes; the execution of rental, lease, and purchase contracts; and the execution of utility agreements and contracts.

3. Administrative Expenses.-- The purpose of this project is to carry on the various administrative activities incident to the maintenance and management of those resettlement projects, including legal, fiscal and business services, and departmental and field supervisory personnel.

(c) LAND UTILIZATION AND RETIREMENT OF SUBMARGINAL LAND

Appropriation Act, 1940:	
Direct appropriation.....	$4,978,330
Reappropriation from unexpended balance of 1939 appropriation....	2,445,000
Total available, 1940.....	$7,423,330
Budget Estimate, 1941.....	1,102,500 (a)
Decrease.....	$6,320,830

(a) In addition, the unexpended balance of the 1940 appropriation, if any, to be reappropriated for 1941.

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase or decrease
1. Development of land conservation and utilization programs.....	$1,067,183	$1,047,000	$500,000	- $547,000 (1)
2. Improvement, protection, and supervision of lands acquired.....	1,874,206	2,191,539	520,000	- 1,671,539 (1)
3. Acquisition of land.....	7,763,862	4,184,791	80,000	- 4,104,791 (1)
Additional for administrative promotions.....	---	---	2,500	+ 2,500 (2)
Total obligations.....	10,705,251	7,423,330	1,102,500	- 6,320,830
Unobligated balance 1939 reappropriated for 1940.....	+2,445,000	-2,445,000	---	+ 2,445,000
Unobligated balance 1938 reappropriated for 1939.....	-8,150,251	---	---	---
Total appropriation.....	$5,000,000	$4,978,330	$1,102,500	-$3,875,830

INCREASE AND DECREASE

While there is an apparent reduction of $3,875,830 in this item, there is an actual reduction of $6,320,830 in funds available for 1941. This difference is the amount of the 1939 unobligated balance reappropriated for 1940.

The net reduction of $6,320,830 in this item for 1941 consists of:

(1) A decrease of $6,323,330 distributed as shown in the foregoing project statement. This reduction will be met through general curtailment in personnel, almost complete cessation of development work on projects

already acquired, reduction in other expenses, both in Washington and the field, and in discontinuance of the acquisition of land. The $80,000 shown under project 3 is for title clearance on options that have been or will have been accepted prior to June 30, 1940.

(2) $2,500 additional estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

WORK UNDER THIS APPROPRIATION

1. Development of Land Conservation and Utilization Programs.-- Title III of the Bankhead-Jones Farm Tenant Act of 1937 authorizes and directs the Secretary of Agriculture to develop a land utilization and conservation program, including the retirement of submarginal land. The act, applicable to good as well as poor farm areas, implies the development of a broad program indicating the desirable and lasting adjustments in the use of land — not a series of temporary expedients. Both the Federal Government and the States are engaged in numerous lines of action with respect to the use and disposition of land. In the Department of Agriculture there are the Soil Conservation programs of the Conservation and Domestic Allotment Act, the program of the Soil Conservation Service, the up-stream flood control program and the Water Facilities program, both involving consideration of modifications in land use, the rural rehabilitation and tenant loan programs, the farm and the forest and submarginal land purchase programs. The Extension Service is constantly called upon to advise individuals and groups concerning land utilization. The Department of the Interior is reclaiming land, regulating grazing on the public domain and land utilization in Indian reservations, and acquiring land for wild life sanctuaries and for parks and monuments. States are purchasing land for public forests and parks. While direct adjustments may be made through the Federal programs mentioned, accomplishment of social and economic adjustments in land use requires State and local devices of control, and modifications in institutions such as land tenure, property taxation, rural local government structure, and in laws, customs, and attitudes related to the use of land.

If all these activities are to be intelligently directed and if confusion and lack of integration of the various programs are to be avoided, a comprehensive process of land-use planning and research should accompany or precede the action programs. It is this planning and research process to which Title III funds are being devoted, as authorized in Sections 31 and 32 of the Act. The Department of Agriculture has undertaken to perform this task by democratic processes, involving collaboration by local farmers and other citizens, the various Federal action agencies and the States, with the technical land-use specialists maintained under funds requested under the clause of Title III of the Bankhead-Jones Act mentioned above. To be successful this democratic process of planning must be serviced by a vast amount of technical fact-finding and research.

Many requests from State and local officials for technical assistance in this new field indicate a widespread and increasing need for this technical assistance. They also indicate a realization that local steps must be taken

to complement and supplement the programs of Federal and State agencies. Active county planning committees now form the nucleus of the organization to handle local land-use problems. In response to requests from such sources, attention has been given to land purchase, rural zoning, legislation regarding formation of grazing districts, tax revision, landlord-tenant relationships, rural government and finance. A large number of studies have been made in particular areas to determine what land-use adjustment measures are needed under specific local conditions, and to determine how local planning and operating programs can be fused and unified with those developed from state, regional, and national standpoints.

A brief description of some of the investigations found necessary in developing land-use programs, together with a few recent concrete examples, will furnish an understanding of the kind and value of the work accomplished.

Land classification to indicate what uses of particular types of land are economically and socially desirable is basic to land utilization programs and policies. For this reason we have been engaged in preparing broadly generalized land classification maps for the Nation as a whole and particular regions indicating land-use problem and land-use adjustment areas.

In a number of particular areas, physical, economic, and social characteristics have been analyzed and classified, resulting in more detailed and specific economic land-use classification maps and reports. The maps show the areas most economically suited for farming, forestry, grazing, etc., and designate sub-areas of given counties where special physical and economic characteristics warrant particular attention in working out land-use adjustment practices and policies. This work is carried on in close collaboration with local groups and agencies. During a recent survey in Latah County, Idaho, for example, local people were kept currently informed on the nature and progress of the work. Upon completion of a land utilization report by this Bureau, a committee of farmers and county officials studied and discussed the conclusions and unanimously adopted a resolution endorsing the land-use recommendations of the area classification report. Some of these recommended adjustments, such as the policy to be adopted by the county "to sell prospective farmers only such lands as are in areas classified as agricultural," are to be accomplished by local action; others such as the recommendation that "land-clearing projects in agricultural areas receive immediate consideration in the permanent solution of the relief problem" serve to direct State and Federal action. In a large number of other counties, farmers have similarly participated in the investigations, have shown keen interest in the findings, and county planning committees are requesting further assistance in applying the adjustments recommended.

The economic classification of land also serves to guide public land acquisition programs by segregating areas which include cultivated lands better adapted for forest, grazing, recreational, watershed protection, or other uses. Land classification also aids in giving direction to settlement and land-use through rural zoning and publicizing information on settlement opportunities.

For example, in the last three years 106,000 acres of land in eastern Pine County, Minnesota, were subject to forfeiture to the State for

non-payment of taxes. With this large accession of land to public ownership there arose many problems as to its future use, whether attempts should be made to resell it for farm land or whether it should be dedicated to forest and recreational uses. A related problem arose from attempts to farm land not adapted to agriculture which would result in high relief costs and the inefficient expenditure of public funds for schools, roads and other public facilities. In answer to this demand, this Bureau provided the means of bringing together the various groups affected and through committees aided by its technicians classified the land as either suited to agriculture or unsuited to this use. The local committees who have participated with the aid of our specialists in classifying the land strongly urged that the county board sell tax-forfeited land only in the districts classified as adapted to farming. They also requested the State Legislature to grant the county legal authority to guide future settlement into such areas. The county board has officially taken cognizance of the recommendation as to the sales policy for tax-forfeited land, while the Legislature, viewing favorably the expression of local people, passed the necessary enabling legislation to permit rural zoning

We have also been engaged in cooperative studies with various states to determine the areas where there exist the most serious maladjustments growing out of the prevalence and local characteristics of farm tenancy. A number of these studies show that because of maladjustments in the present tenancy system, tenant operators grow more cash crops and operate their farms more exploitatively than do owner operators. Data for selected farms in southern Iowa and northern Missouri, for example, show that owners cultivated only 34 percent of their crop land in corn, but tenants 42 percent. Owners kept two and one-half times the number of cattle per one hundred acres of land as did tenants. Owners, moreover, fed a large proportion of their grain to livestock, while tenants sold most of their grain crops. Erosion on tenant farms was naturally greater than on owner farms, and the sale of grain crops by tenants served to magnify the problem of cash crop surpluses. Consequently, in these areas farm tenancy is intensifying the production adjustment problem being attacked by the Agricultural Adjustment Administration, the soil conservation problem confronting the Soil Conservation Service, and the flood control situation which the Department is trying to alleviate. The rapid growth in farm tenancy, furthermore, is increasing the magnitude of the problem to be solved by the tenant purchase program enacted by the Congress to increase farm-home ownership.

Many of these maladjustments in the character of the landlord-tenant relationship can best be corrected by State action. In cooperation with a number of States, therefore, we have undertaken economic and legal studies to determine the maladjustments in the tenancy system contributing to these conditions just mentioned, and to recommend such changes as appear necessary. Technical guidance and direction are being supplied in order that these recommendations may be put into effect. Modifications in present landlord-tenant relations such as may be accomplished through this program, such as increasing security and stability of occupancy, reducing the proportion of land used for intertilled crops, increasing the proportion of land in pastures and meadows, and making it possible for tenant operators to follow conservational practices that retard water run-off and reduce soil erosion, are necessary to prevent farm tenancy from continuing to contribute unduly

to problems of production adjustment, conservation, floods, and other land-use problems confronting American farmers.

County planning committees are giving increasing attention to problems of local taxation and governmental reorganization in order to adjust systems of Government and services to basic land-use and fiscal resources. Taxable resources in rural areas consist chiefly of farm land and improvements, and such problems as widespread tax delinquency and reversion are inextricably bound up with the land-use system. In the field of local government, research recommendations, however cogent, are ineffective without informed and active local participation. Expert analysis has accordingly been made available to those local agencies which are properly the agencies to initiate remedial action.

Analysis is being made of specific effects of Federal land purchase programs upon local government. The findings are being employed by a Departmental committee in formulating a uniform policy regarding contribution to local governments for tax loss on all Federally-owned lands administered by the Department. Members of Congress, local officials, and the action branches of the Department concerned have expressed interest in more equitable adjustment of the problem.

In cooperating with state agencies attention has been given also to relating tax assessments more directly to the results of economic land classification. In southeastern Colorado, for instance, one county has already reassessed along lines recommended as a result of this work and thereby corrected a situation in which land used and suited only for grazing was long seriously overtaxed as farm land. The State Tax Commission became interested, and further work is planned in that State and in neighboring range States. Readjustment in assessments on range land has considerable significance in promoting land-use adjustment.

Widespread prevalence of tax delinquency, largely due to maladjustments in land utilization has also been an important line of investigation. In Billings County, North Dakota, for instance, the County Commissioners petitioned for a survey of the interaction of local finances, land use, and the land purchase program in the County. Serious fiscal difficulties arising from the land problem prompted the request. Concurrently with the survey, representatives of the Bureau collaborated in the drafting of important State legislation which was passed enabling reorganization of county government. The findings of the survey are now being used for local discussion and action on the latter proposal. Further work along these lines is in demand in North Dakota, Missouri, and other States where county planning groups offer the medium for purposive discussion and adoption of practical solutions for serious fiscal and governmental organization conditions related to land-use problems.

The operation of grazing associations as a device for land-use adjustment in the Great Plains has also been analyzed. In Yellowstone County, Montana, a survey was made of the Buffalo Creek Grazing District. It presented the interrelationships of grazing associations, rural zoning, public land purchase, the agricultural adjustment program, and the management of tax-reverted county lands. Detailed recommendations resulted for grazing

legislation and association procedure, rural zoning, tax adjustments, modification of the agricultural conservation program, and management of chronically-delinquent tax-reverted lands. This ground work has already led to introduction of bills for administration of county tax deed lands in Montana, North Dakota, and South Dakota. Surveys of this character have implications reaching beyond the particular areas covered. Investigations which we have conducted under Title III funds, in cooperation with various state agencies and the newly-organized county planning program, were basic to recent adoption of four important pieces of legislation in Minnesota. These included a zoning enabling act, provision for clearing State title to tax-forfeited land, authorization of the exchange of State-owned lands for lands of the United States or private lands, and provision for classification of tax-delinquent land for resale or retention by the State as conservation land. Studies of a related nature in the cut-over regions of Wisconsin helped point out the need for assisting the State and northern counties in the task of relocating those scattered non-conforming users who desire to move from areas zoned under rural zoning ordinances. Settler relocation in Wisconsin is now doing much to eliminate excessive costs of local public services and to assist the proper administration and development of large areas of county, State, and Federal forest lands.

It will be clear from the brief statement presented above that the development of land utilization policy depends upon and is stemming from the desires of farm people for land-use adjustments and for factual knowledge of land-use conditions, problems, and solutions in various areas of the Nation. The contributions which our work is making toward policy formation gradually are being brought into an integrated program, modified and adapted to current needs of communities and the Nation as a whole.

The brief outline of some of the work in land economics under Title III indicates that the results of the work have helped to modify significantly Federal agricultural policies and have given direction to public land acquisition, besides contributing to a wide range of adjustments, complementing and supplementing Federal measures, to be accomplished by modifications of State laws, local ordinances, and administrative practices.

2. Improvement, Protection, and Supervision of Lands Acquired.-- Approximately 6,182,655 acres of land will require administration under this project during 1941. This figure includes lands acquired under the land utilization program prior to the passage of the Bankhead-Jones Farm Tenant Act together with lands acquired under this Act.

The Budget estimate for 1941 will be used for the operation of this acreage on a management and maintenance basis. This amount will not provide for the development and improvement of the lands for the purposes for which they were acquired.

The management and maintenance of these lands for which these funds will be used include the issuance of use permits, policing and patrolling, fire protection, maintenance of improvements, operation of existing facilities, carrying out custodial responsibility on behalf of the Federal Government for those lands assigned to State agencies for administration, and similar management items.

3. Acquisition of land.-- This project provides for the acquisition of lands which are not primarily suitable for cultivation. It is estimated that by June 30, 1940, 2,300,000 acres of land will have been purchased or optioned under Title III of the Bankhead-Jones Farm Tenant Act. The 1941 estimate makes no provision for the purchase of any lands during that fiscal year. The only sum reflected in the Budget estimate under the acquisition of land item is to cover expenses of the Solicitor's Office in connection with title clearance work with reference to options accepted during the fiscal year 1940 or before. A revision will have to be made in the current year's land purchase program in order to provide funds sufficient to carry forward the acquisition work (abstract costs, title clearance, curative work, delivery of checks, etc.) pertaining to options accepted during the current fiscal year or before.

PASSENGER-CARRYING VEHICLES

The estimate included under Title I contemplates the replacement of 4 wornout passenger-carrying cars at an average net cost of $625 each, a total of $2,500. A total of 16 passenger cars are on hand at the present time, and it is estimated that during 1941 it will be necessary to replace 4 of these cars. The vehicles to be replaced will be more than four years old in 1941.

The cars to be provided for under Title I of this Act are to be used by the field staff of the Farm Security Administration, who are engaged in supervising the making of Farm Tenancy Loans and in the inspection and appraisal of the farms and development work done thereon. Due to the fact that these loans are made over a widely scattered area in approximately 1,500 counties throughout the United States, these officials are required

to travel from county to county where no form of public transportation is available; therefore, in order to insure the efficient conduct of the field work, it is necessary to provide these officials with passenger-carrying cars.

The estimate included under Title IV contemplates the replacement of 10 wornout passenger-carrying cars at an average net cost of $625 each, a total of $6,250. A total of 56 passenger cars are on hand at the present time, and it is estimated that during 1941 it will be necessary to replace 10 of these cars. The vehicles to be replaced will be more than four years old in 1941.

The cars to be provided for under Title IV of this Act are to be used by the field staff of the Farm Security Administration, who are engaged in the management, operation, maintenance, and supervision of resettlement projects. There are now over 160 resettlement projects which are under the supervision of the Farm Security Administration. These projects are located in rural areas throughout the United States. A majority of them are not furnished by any regular means of transportation. In order that the project managers and regional supervisory and technical officials may efficiently conduct their business and travel to, on, and/or from the projects where there is no other means of transportation, it is necessary to provide passenger-carrying cars. During the fiscal year 1941, it is estimated that there will be only 1 passenger-carrying car in operation for approximately every three projects.

EMERGENCY RELIEF, AGRICULTURE

(For Loans, Relief, and Rural Rehabilitation)

Appropriation, 1940, Sec. 3, Emergency Relief Appropriation Act, 1939:	
Direct appropriation	$143,000,000
Reappropriation from unobligated balances under this item included in the Emergency Relief Appropriation Act of 1938.	18,450,000
Total available, 1940.	161,450,000(a)
Budget Estimate, 1941.	- - -(b)

(a) Allocations for these purposes in the fiscal year 1939 under the Emergency Relief Appropriation Act of 1938 and similar prior-year funds aggregated $198,789,810, of which $180,339,810 was actually obligated in 1939, leaving a balance of $18,450,-000 available for reappropriation in 1940. The obligations incurred in 1939 and estimated for 1940 are indicated in the project statement which follows.

(b) To be considered in connection with the Emergency Relief Appropriation for 1941.

PROJECT STATEMENT

Projects	1939	1940 (Estimated)
1. Rural rehabilitation loans.	$119,149,076	$97,175,000
2. Rural rehabilitation direct relief. . . .	24,022,901	26,000,000
3. Rural rehabilitation services and assistance:		
(a) Farm and home management assistance	10,029,958	12,399,500
(b) Investigation of applications and making, collecting, and servicing loans and grants.	6,218,032	7,594,124
4. Voluntary farm debt adjustment.	1,516,054	2,000,000

Projects	1939	1940 (Estimated)
5. Rural rehabilitation projects, including technical services.	$5,783,006	$800,000
6. Migratory labor camps	5,048,195	5,000,000
7. Water utilization projects, including technical services.	1,104,212	3,000,000
8. Administrative expenses	7,478,376	7,478,376
Total obligations	180,339,810	161,450,000
Unobligated balance of 1938, reappropriated, 1939	- 23,789,810	- - -
Unobligated balance of 1939, reappropriated, 1940	+ 18,450,000	- 18,450,000
Total appropriation or allotment. . .	175,000,000	143,000,000

WORK UNDER THIS APPROPRIATION

General.-- The purpose of rural rehabilitation is to make loans to farm owners, farm tenants, farm laborers, sharecroppers, and others who obtain, or who recently obtained, the major portion of their income from farming operations and who cannot obtain adequate credit on reasonable terms from any lending institution, so as to enable such eligible families to acquire livestock, farm equipment, supplies, and other farm needs (including improvements and repairs to real property); to permit the refinancing of chattel mortgage indebtedness and family subsistence and medical care; to provide direct relief to eligible families in rural areas for subsistence purposes; to assist in the voluntary adjustment of indebtedness between farmers and their creditors; to develop good agricultural land previously acquired by the United States into economic farm units for lease or sale to eligible farm families; to develop and maintain camps for the relief of migrant agricultural workers; to provide for a water facilities program for water conservation, dams, reservoirs, pipe lines, well digging and drilling, and other facilities for water storage or utilization in furtherance of rural rehabilitation and relief to needy persons; to furnish technical services and guidance in sound farm and home management practices; and to provide personnel and facilities for the administration of these activities in the District of Columbia and elsewhere.

1. Rural Rehabilitation Loans.-- The purpose of rural rehabilitation loans is to enable low-income and destitute farm families to support themselves through continued farming by extending credit on the basis of acceptable farm and home plans. Farm owners, farm tenants, farm laborers, sharecroppers, and others who obtain, or have recently obtained, part of their income from farming but who cannot obtain adequate credit from other lending agencies, are eligible for these loans.

Rehabilitation loans enable low-income farmers to purchase farm and home equipment, workstock, and livestock necessary for operating needs. These loans also enable farmers to make improvements and repairs on real property, to refinance indebtedness, or to meet subsistence needs.

The immediate object of rehabilitation loans is to aid the farmer to continue planting for the support of himself and his family; the ultimate object is a more stable farm economy.

Funds for the current fiscal year (1940) for this project are being used to make initial rural rehabilitation loans to prospective rehabilitation clients, many of whom were receiving direct relief, to make supplemental loans to established rehabilitation clients, and to make emergency loans to farmers effected by recent disastrous droughts and floods. The entire allotment of $97,175,000 to this rehabilitation loans project is being used for the principal amount of the loans.

It is estimated that more than one million low-income farm families are in need of this assistance. Of these, only about one-half will have received aid through rural rehabilitation loan funds prior to 1941.

Rural rehabilitation loans are, with few exceptions, small short-term loans of from two to five years and generally call for repayments during the period of the loan. There is set forth below a table for the fiscal years 1936 through 1941, showing the amounts of both principal and interest which have been, or which it is expected will be, collected on rural rehabilitation loans. The estimated collections for the fiscal years 1940 and 1941 take into consideration the additional rural rehabilitation loans, both initial and supplemental, which will be made during the balance of the fiscal year 1940 from emergency funds which are now available. On June 30, 1937, of the loans made as of that date $51,001,285 had matured, and $24,838,826 had been collected, or 48.7 percent. On June 30, 1938, of the loans made as of that date $90,016,719 had matured, and $52,525,435 had been collected, or 58.5 percent. On June 30, 1939, of the loans made as of that date $125,136,738 had matured, and $87,958,541 had been collected, or 70.3 percent. On October 31, 1939, of the loans made as of that date $137,589,023 had matured, and $105,802,839 had been collected, or 76.9 percent. The percentage of collections of the amounts which have matured is gradually increasing, and it is expected that approximately 80 percent of the amounts which will mature will be collected.

Collections on Rural Rehabilitation Loans

Year	Principal	Interest	Total
1936	$991,875	$9,939	$1,001,814
1937	22,089,409	923,128	23,012,537
1938	25,603,437	1,220,723	26,924,160
1939	33,248,572	737,964	33,986,536
1940 (est.)	35,000,000	7,000,000	42,000,000
1941 (est.)	40,000,000	10,000,000	50,000,000

2. Rural Rehabilitation Direct Relief.--Direct relief under the rural rehabilitation appropriation is extended not only to farm families who are the victims of natural catastrophies, such as drought or flood, but to indigent families living in rural areas who cannot obtain aid from other sources and who, but for these emergency grants, might suffer from hunger or disease. P st experience has shown that major catastrophies occur somewhere in the country every year. Droughts and floods have disastrously affected large portions of many states this year. These cash grants cease when the families can begin their own rehabilitation or can be assis ed through rehabilitation loans based on farm and home plans. Cash grants of direct relief are administered on investigation and determination of need in individual cases. Employable recipients of such payments are required to perform work on useful public projects, under authority of Section 3 (c) of the Emergency Relief Appropriation Act of 1939.

3. Rural Rehabilitation Services and Assistance.--The work under this project includes:

(a) Farm and Home Management Assistance: The nature of the credit advanced to rehabilitation borrowers makes necessary farm and home management assistance which will insure the best use of the rehabilitation loans. This assistance is equal in importance to the actual loan in effecting permanent rehabilitation. Farm and home management supervisors work personally with each borrower and his wife to determine how the rehabilitation loans shall be most judiciously expended and promptly repaid. They cooperate with the clients in the purchase of appropriate equipment, livestock, fertilizers, and other operating goods; give regular and periodic assistance to clients in planning management practices, including land use, labor use, agricultural conservation, and soil erosion control; advise the use of certified seed, purebred sires, high-analysis fertilizers, and feed rations; advise on livestock management, crop cultivation, feed production, and gardening; also on the home production, preparation, and conservation of meat, eggs, vegetables, and milk, on clothing preparation, and on health and sanitation; and regarding participation in group and cooperative services.

The funds for this project are being expended for field salaries for regional and State personnel who supervise district and county supervisors in the technical phases of farm and home management and group service assistance to borrowers; for district and county farm and home supervisors; for necessary clerical help; for travel of regional and State personnel engaged in technical supervision of district and county farm and home management supervisors; for travel of district and county farm and home supervisors in giving farm and home management and group service assistance to borrowers through farm and home

visits; and for other incidental expenses, including office facilities, equipment, and supplies.

(b) Investigation of Applications and Making, Collecting and Servicing Loans and Grants: To comply with the provisions of executive, departmental, and administration orders defining rural rehabilitation, it is necessary to investigate the need and eligibility of each farm family applying for a loan or grant; to prepare a farm and home plan or a budget to be used as a basis for such a loan or grant and as a guide in the most effective use of the loan by the farmer and his family; to inspect leases for terms of tenure and search county records for liens and mortgages taken to secure such loans; to service and collect repayments on loans when due from the proceeds of crops, livestock, and livestock products when harvested or marketed; to reinvestigate each borrower on the proposed renewal or extension or supplementing of such loan or grant at the expiration of the period for which originally made; to prepare notes, mortgages, and other evidences of indebtedness offered by borrowers; to repossess and sell chattels and crops of borrowers who abandon their farm operations or who fail to comply with the terms of their farm plans, budgets, or loan agreements; to make receipts for and remit to the Treasury loan repayments and proceeds of sale of repossessed chattels and crops; and to account for, record, and audit such transactions in county regional, and national offices.

Funds for this project are being expended for field salaries for regional and state personnel who supervise district and county personnel; for district and county employees directly engaged in the work of investigating applications for assistance, in obtaining and recording of security instruments, in effecting renewals and extensions, in making collections and receipts and remitting repayments to the Treasury, and in making necessary repossessions and resale of mortgaged property; for salaries of necessary clerical help; for travel performed by regional and state personnel engaged in supervising district and county employees and travel performed by district and county employees in visiting borrowers for the purpose of carrying out the work described above; and for other incidental expenses, including office facilities, equipment, and supplies.

4. Voluntary Farm Debt Adjustment: Voluntary farm debt adjustment activities are carried on between the farmer debtors and their creditors in an effort to bring down excessive debts within the farmers' ability to pay and to give creditors an opportunity of realizing some return on their investment. Debts contracted during the era of high prices for produce and farm land could not be met following the depression of prices and became frozen assets to the creditor. Adjustment of such debts, which include grocery and clothing bills, medical and veterinary bills, feed, fertilizer, and equipment bills, and chattel and real estate mortgages or interest thereon, is necessary in many cases in order to make a sound loan to a borrower or place a farmer in a position where he can operate his farm without danger of foreclosure. Adjustment of these debts is effected voluntarily by extension, reduction, refinancing, or otherwise, according to the farmer's ability to pay as determined by his individual circumstances.

These funds are being expended for field salaries for personnel engaged in supervising farm debt adjustment activities in regional, state, and local offices; for out-of-the-pocket expenses for more than 11,500 committee members in approximately 2,900 counties; for travel for personnel engaged in directing the activities of the local committees through personal visits, assisting district and county personnel in bringing debtors' cases before the committees, and visiting creditors when necessary; and for other incidental expenses, including office facilities, equipment, and supplies.

5. Rural Rehabilitation Projects, Including Technical Services.--The purpose of this project is to develop good agricultural land previously acquired by the United States into economic farm units for the rehabilitation of and lease or sale to eligible farm families; and to make certain additions to and alterations in the rural resettlement and suburban resettlement projects found necessary upon the completion of those projects. On several of the subsistence homestead projects, which were built for part-time industrial workers, the residents have not yet secured adequate part-time employment, thereby making it necessary for the Government to supplement their income by providing useful land development work projects on which these stranded industrial workers are employed.

6. Migratory Labor Camps.-- The purpose of this project is to afford migratory agricultural workers an opportunity to live in sanitary surroundings by building camps where migrant workers may live for a limited period at minimum cost; to aid migrants in finding a stable base for home life; to restore a form of community life; and to check the spread of disease, which is ever present in squatter camps. Migratory labor camps provide each worker with a platform on which to pitch his tent and include such community facilities as a utility building, an isolation unit, assembly room and nursery, first-aid room and child clinic, recreation hall, kitchen, laundry, and sanitary units. Present facilities will accommodate approximately 30,000 migratory workers, including their families. New camps being developed during the current fiscal year will shelter approximately 20,000 additional workers, including their families.

It is estimated that there are between 200,000 and 350,000 migratory agricultural workers in the United States, with very few migrants earning as much as $450 a year. Living conditions are extremely bad, with attendant evils of poverty and disease. These conditions present serious problems to both the workers and the areas in which they temporarily established themselves. The migratory labor camps constructed and operated under this program will in part alleviate this condition and, in addition, will demonstrate what can be done further along this line by private growers and State and Federal agencies.

7. Water Utilization Projects, Including Technical Services.--The purpose of this project is to provide needed water facilities to farm families by the proper use and control of the water resources of the semi-arid areas, principally in the western and southwestern portions of the United States. Facilities for water storage, conservation, and utilization are being provided through the construction and erection of dams and reservoirs, installation and laying of pipe lines, and digging and drilling wells. This work requires the services of construction personnel, including engineers and necessary clerical and labor assistance. Employment is furnished needy farm laborers, tenant farmers, needy farm owners, and relief laborers living in the area wherein the work is being done.

(For a more detailed statement of the water-facilities program paid from the appropriation "Emergency Relief, Agriculture," see the separate section "Water Facilities, Arid and Semi-Arid Areas", under the caption "Work under this appropriation", pages of these notes.)

8. Administrative Expenses.--The purpose of this project is to carry on the various administrative activities incident to the rural rehabilitation program. The salaries and expenses of all personnel located at the seat of the Government and of all personnel located in the regional and field offices working on rural rehabilitation, including administrative, technical, advisory and legal personnel, are included under this project.

FARM SECURITY ADMINISTRATION

(a) FARM TENANCY (FARM SECURITY ADMINISTRATION)

This schedule accounts for the allotment to the Farm Security Administration from the appropriation for farm ownership loans under Title I of the Bankhead-Jones Farm Tenant Act. A complete statement, covering all funds under this Title, has been included in these notes under the heading "Farm Tenant Act".

(b) LIQUIDATION AND MANAGEMENT OF RESETTLEMENT PROJECTS (FARM SECURITY ADMINISTRATION)

This schedule accounts for the allotment to the Farm Security Administration from the appropriation made under Title IV of the Bankhead-Jones Farm Tenant Act. A complete statement, covering all funds under this Title, has been included in these notes under the heading "Farm Tenant Act".

(c) EMERGENCY RELIEF, AGRICULTURE (FARM SECURITY ADMINISTRATION)

This schedule accounts for the allotment to the Farm Security Administration from the appropriation carried in the 1939 Emergency Relief Act for Rural Rehabilitation. A complete statement covering all funds under this item, has been included in these notes under the heading "Emergency Relief, Agriculture".

TRUST ACCOUNT

(d) PAYMENTS IN LIEU OF TAXES AND FOR OPERATION AND MAINTENANCE OF RESETTLEMENT PROJECTS

This schedule covers funds provided for by Section 3 of the Act of Congress approved June 29, 1936 (40 U.S.C. 431-434), under which receipts derived from the operation of any resettlement project or any rural rehabilitation project for resettlement purposes are covered into the United States Treasury and constitute a special fund, which is available to the Farm Security Administration for payments in lieu of taxes to States, political subdivisions, and local taxing units and for any other expenditures for operation and maintenance (including insurance) of such projects. The receipts made available are used, as provided for under the Act, to make payments in lieu of taxes and to defray the costs of insurance and special miscellaneous expenses on resettlement projects and rural rehabilitation projects for resettlement purposes. Receipts and obligations hereunder for 1939 and estimated for 1940 and 1941 are as follows:

	Receipts	Obligations
1939	$1,497,896	$1,478,743
1940	1,800,000	1,835,925
1941	2,000,000	1,979,705

TRUST ACCOUNT

(e) STATE RURAL REHABILITATION CORPORATION FUNDS

This schedule covers funds arising out of agreements with State Rural Rehabilitation Corporations. Under the rural rehabilitation program of the Federal Emergency Relief Administration, providing grants to the states, there was established in a majority of the states (during 1934 and 1935) a State Rural Rehabilitation Corporation to administer the rural rehabilitation program in each state. As of November 15, 1938, all but four of these corporations, acting through their respective directorates, had entered into individual agreements with the United States Government, whereby their assets and liabilities were transferred in trust to the Government to be made available as a revolving fund for rural rehabilitation purposes within the respective states. In addition, the Government as managerial agent, administers the assets of two of the four excepted corporations.

The assets transferred and all assets subsequently collected on behalf of the corporations have been deposited in special trust fund accounts in the Treasury of the United States and have been administered by the Farm Security Administration, on behalf of the Secretary of Agriculture, in accordance with the terms of the transfer agreements. During the fiscal years 1937, 1938, 1939, and the first part of the fiscal year 1940, the Farm Security Administration has endeavored to convert excess assets of the corporations into cash and to collect as much as reasonably possible on outstanding loans and other accounts receivable. Funds thus made available for rural rehabilitation purposes have been used for the payment of outstanding obligations and new obligations incurred for the construction and development of corporation property and for making loans to corporation clients. The same disposition will be made of funds received during the fiscal year 1941.

During the fiscal years 1937, 1938, 1939, and the first part of the fiscal year 1940, the asset items more easily liquidated were liquidated and the proceeds therefrom, together with the previously acquired balances, are being used for rural rehabilitation. A large portion of these rural rehabilitation activities require long-term investment of corporation funds. It is estimated that the collections during the fiscal year 1941 will be considerably under those during the fiscal year 1940 and will be principally derived from collections of 3 to 5 year loans maturing in part during the latter part of the fiscal year 1940 and during the fiscal year 1941, collections of rents and other income from corporation property, and collection of the more difficult delinquent accounts not collected during the fiscal years 1937, 1938, 1939, and 1940. All amounts collected during the fiscal year 1941, plus the unemcumbered balances from preceding years, will be available for the servicing of corporation accounts, the making of a minimum of supplemental loans to already existing corporation loan clients, the management and maintenance of corporation property already constructed and developed, and other rehabilitation purposes. Obligations incurred under this fund in 1939 and amounts estimated for 1940 and 1941 are:

1939	$4,090,092
1940	5,650,500
1941	4,800,000

WATER FACILITIES, ARID AND SEMI-ARID AREAS

Appropriation Act, 1940	$500,000
Budget Estimate, 1941	500,000

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)
Development of water facilities, arid and semi-arid areas	$368,193	$500,000	$500,000
Unobligated balance	131,807	- -	- -
Total	500,000	500,000	500,000

WORK UNDER THIS APPROPRIATION

The water-facilities program is administered under the authority of the Act approved August 28, 1937 (16 U.S.C. 590r - 590x), known as the Pope-Jones Water Facilities Act. The Act was a legislative outgrowth of the recommendations of the President's Great Plains Committee and gives the Department of Agriculture authority essential to rounding out the land conservation and utilization program in the arid and semi-arid areas of the United States. When used in conjunction with other permanent Departmental programs (such as soil conservation, flood control, agricultural adjustment, crop insurance, and submarginal land purchase), the water facilities program can go far in stabilizing western agriculture and making the tenure of farm operators more secure.

This appropriation provides for the development and construction of small water facilities, such as ponds, reservoirs, wells, and other developments, in order to promote better utilization of water and land resources in the arid and semi-arid areas of the United States.

The Water Facilities Program, which was initiated during the fiscal year 1939, has demonstrated its importance in the utilization and conservation of water and land resources. The extension of this type of aid to farm and livestock operators has improved their operating efficiency and placed them in a position where they can actively follow proper land use and conservation programs.

In constructing water facilities, under the Water Facilities Program, it is the policy of the Department to require benefiting farmers to make the maximum possible contribution to the cost of facilities through furnishing labor, equipment, and materials. Benefiting farmers must also repay to the United States, over a period of years, as large a portion of the direct Federal cost of the facilities as a careful analysis of their farm income indicates will be possible. Furthermore, they must agree to follow proper land use practices for the duration of the farmers' debt to the Government, and, in all events, for at least five years. Of the total Federal expenditures, approximately 60 per cent will be repaid to the Government.

The $500,000 appropriation for the Water Facilities Program during each of the fiscal years 1939 and 1940 has enabled the Department to make a modest start in meeting the needs for this type of development. During the fiscal years 1939 and 1940, $1,104,212 and $3,000,000, respectively, of Emergency Relief funds have been made available to supplement the regular Water Facilities appropriation. Schedules of obligations incurred under these funds are shown in the schedules of the Bureau of Agricultural Economics, Soil Conservation Service, and Farm Security Administration, to which they were allotted. A summary schedule of these allotments follows:

	1939	1940
Bureau of Agricultural Economics	$153,012	$175,000
Farm Security Administration	323,446	1,700,000
Soil Conservation Service	627,754	1,125,000
Total	1,104,212	3,000,000

The use of these funds appropriated for rural rehabilitation is making a contribution in the same direction, although various restrictions, such as the requirement that cooperating farmers be eligible for rehabilitation assistance, necessarily limit the application of this emergency relief fund.

In order to achieve maximum benefits, this program must be continuously integrated with the programs of the Soil Conservation Service and the Farm Security Administration, and the general planning work of the Bureau of Agricultural Economics. Cooperation also must be maintained with other Departmental agencies and with soil conservation districts or other public agencies established by States.

Facilities developed under this project during the fiscal year 1939 averaged $600 of direct costs.

PASSENGER-CARRYING VEHICLES

The estimates for the fiscal year 1941 contemplate an expenditure of $8,300 for the purchase of 12 passenger-carrying vehicles, which it is estimated will average approximately $690 each when the trade-in values of 12 old cars being exchanged are taken into consideration.

These vehicles will be needed by the agencies of the Department administering this program in making area plans for designated areas in which the feasibility of program operations are being studied, in visiting farm operations, making detail surveys and plans, and supervising and inspecting the actual construction operations located in the particular areas.

It is estimated that these vehicles will be driven on an average of 15,000 miles per year and that their life will average between 50,000 and 60,000 miles. This travel will be performed mostly in rural areas not accessible by common carrier. Therefore, the nature of this program makes the use of passenger-carrying vehicles practically indispensable. Departmental experience has proven that the use of personally-owned automobiles on a mileage reimbursable basis, where such continuous and extensive use is involved, is more expensive than the use of Government-owned automobiles.

COOPERATIVE FARM FORESTRY

Appropriation Act, 1940	$300,000
Budget Estimate, 1941	300,756
Increase	$756

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
1. Cooperation with States for extension activities in developing farm forestry	--	$50,000	$50,000	--
2. Production and distribution of forestry planting stock from existing nurseries to farmers	--	50,000	50,000	--
3. Farm forestry projects, and necessary investigations	--	200,000	200,000	--
Additional for administrative promotions	--	--	756	+$756 (1)
Total	--	$300,000	$300,756	+$756

INCREASE

(1) $756 additional is estimated under this item for administrative promotions in accordance with the plan which is being uniformly applied in the budget estimates for 1941.

WORK UNDER THIS APPROPRIATION

The Cooperative Farm Forestry Act authorizes the production or procurement and distribution of forest-tree and shrub planting stock; the making of necessary investigations; advising farmers regarding the establishment, protection, and management of farm forests and forest and shrub plantations, the harvesting, utilization, and marketing of the products thereof and entering into cooperative agreements for the establishment, protection, and care of farm or other forest land tree and shrub plantings.

Under these provisions it is the aim to build a forestry program based on actual farm conditions and problems, to develop a procedure which will incorporate the views of the farm owners and include the cooperation of Federal, State, and private agencies, to integrate thoroughly the forestry work with other phases of farm management, and to carry out such a

program through a structure of research, service, and education as will be broad in scope and yet sufficiently intensive to accomplish definite and convincing results.

The existing programs in cooperative farm forestry extension and in cooperative production and distribution of forest planting stock authorized under the Clarke-McNary Act, which have been in operation since 1925, need expanding to meet existing demands. To provide for an increase in the Department's participation in these programs it is proposed to use, in connection with the present program, a part of the funds requested for (1) farm forestry extension work, under cooperative understanding with the States, and (2) for the production in State cooperative nurseries and for the distribution of forest planting stock, under cooperative understanding with the States.

The chief problem continues to be to get the farmer to appreciate the services his farm woodland can render in his whole farm lay-out and its operation. In order that he may have this appreciation he must recognize his woodland's productive possibilities and know how to manage his woods so as to make them a producing unit of his farm. He must recognize the value of trees properly located, whether planted or native growth, for protection of buildings, feeding lots, fields, and crops against wind; for control of erosion; and for the production of fuel, posts, etc.

The problem of getting proper farm forest practices applied needs to be attacked in various ways--through education, service, research, and such other assistance as needed. Obviously these various phases should be guided by a plan which correlates activities in this field with other land-use programs and which provides the emphasis and the technique for developing the forestry activities.

In this program consideration is given to the study of such factors as the relation of input and output from the woods as compared to other parts of the farm business, as well as the relation of woods income to the whole farm organization.

It is considered that the function of research in farm forestry is that of providing basic information for and of solving problems confronted in action and extension programs, as well as providing for better conduct of these programs by discovering and developing improved techniques, practices, and principles. These functions are so intimately connected with field operations and extension as often to be essentially a part of them. Many of the problems to be solved are those confronted by the men in the field, and the research program will be developed and research projects selected with the full advice and cooperation of the action, extension, and program planning agencies of the Department and the States and, insofar as practicable, carried out in conjunction with the farm forestry projects.

Education in the practice of forestry is the means of bringing the knowledge of how to handle farm woodlands right down to the ground. Education has to do with stimulating interest of the farmer and acquainting him with the general benefits to be derived. Advising the farmer of principles and practices involved in securing them constitutes a distinct phase of the

of the program. This is an essential step in obtaining actual application of proper practices in the woods. The extent to which the individual farmer benefits from education depends on his interest, initiative, and facilities for carrying recommendations into effect unless otherwise assisted.

Service, on the other hand, involves specific, practical assistance to the farmer in the application of approved forestry methods by, for example, making a detailed farm-management plan for his entire farm, including the forest areas, and assistance in carrying out that plan. It is an efficient means of bringing right into the woods the necessary leadership and technical supervision to assure confident application by the farmer of the practices his woodland needs.

The farm forestry program contemplates to a large degree service to farmers in selected areas. These areas would be set up as farm forestry projects, wherever feasible, in connection with other land-use programs of the Department, including soil conservation districts and other land-use demonstration areas. It is desired to build up within them an increasing number of well-managed, producing farm woodlands, with records to prove what forestry, integrated with farm management, can accomplish. These projects also offer a place for the testing of methods and the conduct of research of the type already explained.

In many States the State Forester, the Director of Extension, the Director of the State Experiment Station, a representative each of the Forest Service and of the Soil Conservation Service, and farmer members of the State Land-Use Planning Committee, are serving as a State Farm Forestry Committee. The committees are studying the farm forestry needs of the State and recommending in order of priority the areas in which they feel farm forestry projects should be located. They clear their proposals through the State Agricultural Land-Use Committee.

Each farm forestry project is being designed so as to coordinate with other land-adjustment programs insofar as possible and to cover a sufficient number of farms and acreage of farm woodlands to provide for an adequate demonstration and for the efficient utilization of technicians to assist in developing land-use plans and forestry techniques. In soil conservation districts the forestry program will be incorporated in the land-use plan of the farm.

PASSENGER-CARRYING VEHICLES

The estimates for the fiscal year 1941 contemplate an expenditure of $7,700 for the purchase of 11 passenger-carrying vehicles at an estimated cost of $700 each.

The farm-forestry program requires the establishment of projects in areas not easily accessible by common carrier. The use of passenger-carrying vehicles is practically indispensable in reaching these areas. The vehicles proposed for purchase under this appropriation will be assigned to the use of regional supervisory and technical personnel who must travel considerable distances to reach the projects in their region and who must follow more

flexible schedules in traveling among the projects than the common carriers provide.

Departmental experience has proved that the use of personally-owned vehicles by reimbursement on a mileage basis, where extensive travel by supervisory personnel is involved, is not as economical as the use of publicly-owned vehicles. Project technicians will utilize passenger-carrying vehicles available under cooperative arrangements with the several States contributing to the farm-forestry program.

RURAL ELECTRIFICATION ADMINISTRATION

This organization, heretofore an independent agency of the Government, was transferred to the Department of Agriculture effective July 1, 1939, pursuant to Reorganization Plan No. II. The estimates for 1941 with respect to this activity are summarized as follows:

	Independent Offices Appropriation Act, 1940	Budget Estimate 1941	Decreases and Increases
Salaries and Expenses.....	$2,700,000	$3,100,000	+$400,000
Printing and Binding.....	90,000	100,000	+ 10,000
Loans.....	40,000,000	(a)	-40,000,000(a)
Total.....	42,790,000	3,200,000	-39,590,000

(a) The 1941 estimates contemplate that the loan fund of $40,000,000 for that fiscal year will be borrowed from Reconstruction Finance Corporation.

(a) SALARIES AND EXPENSES

Appropriation, 1940	$2,700,000
Budget Estimate, 1941.....	3,100,000
Increase.....	+400,000

PROJECT STATEMENT

	1939	1940 (Estimated)	1941 (Estimated)	Increase or Decrease
1. Lending Activities: aiding farmers to perfect their borrowing organizations; investigating feasibility of and making loans for rural electrification	$527,095	$406,690	$368,633	-$38,057 (1)
2. Line Building Activities: technical assistance to rural borrowers in designing, arranging for the construction of, and constructing their electric systems.....	674,012	551,427	445,920	-105,507 (2)
3. Loan Protection: safeguarding Government Loans:				
a. Through Management Advice: assistance to rural borrowers in sound management and technical operation of their electric systems.	255,023	517,041	708,181	+191,140 (3a)
b. Through Loan Building: helping farm people to secure maximum benefit from electricity on their farms, including safe wiring	268,762	403,353	541,794	+138,441 (3b)
c. Through Audits, Inspections, Collections: auditing of records, checking of commitments and other contingent liabilities, and collecting interest and amortization.	391,183	579,399	769,268	+189,869 (3c)
4. General Administration	168,843	242,090	266,204	+ 24,114 (4)
Total, Salaries and Expenses.....	2,284,918	2,700,000	3,100,000	+400,000

INCREASES AND DECREASES

The request for Congressional appropriations for Rural Electrification Administration shows a decrease of $39,590,000 because of the proposed procurement of loan funds from the Reconstruction Finance Corporation. The increase of $410,000 ($400,000 for Salaries and Expenses and $10,000 for Printing) — approximately 15 percent — for administrative expenses is to make possible the effective discharge of the enlarging responsibilities of protecting Government loans resulting from a 35 percent increase in the cumulative number of borrowers' projects in operation; and secondarily to perform certain vital work of prior years which cannot safely be deferred beyond fiscal 1941 — all of which is essential to making electricity available to farm people on an economical and dependable basis.

By the end of fiscal 1939 more than $226,000,000 had been lent by Rural Electrification Administration to 636 borrowers with which to make electricity available to over a half million farm families as soon as the lines are completed. During the present fiscal year an additional $40,000,000 is being lent to make service available to another 100,000 farms. Because of its influence on the needs for additional administrative funds in fiscal 1941, it is important to note that a total of $140,000,000 was appropriated by the Congress for loans during fiscal 1939. Much of the construction resulting from these 1939 loans will not be completed and the lines placed in actual operation until late in 1940. This means, of course, that many projects, in addition to a part of those started in fiscal 1940, will not begin operation until fiscal 1941 and will require operating assistance for the first time during that year.

In the interest of protecting the Government loans, it is essential that REA assist and guide these borrowers in their operating problems as soon as the lines are energized; rural electric cooperatives are going concerns and their operating problems must be met as they arise. The enlarging magnitude of this assistance required by operating projects is clearly shown by the increasing cumulative number of projects in operation from year to year: in fiscal 1939, 714 projects; fiscal 1940, 1,381 projects; and fiscal 1941, 1,866 projects. Records indicate that the number of miles of line constructed increases from 142,000 in July 1939 to 235,000 in July 1940 and 277,000 in July 1941. The number of farms served increases from 263,541 in July 1939 to about 525,000 in 1940 and 630,000 in 1941.

In order to execute the fiscal 1939 program of the Congress, it was necessary to concentrate all efforts on those steps prerequisite to the making of loans and getting construction under way. Much of the work resulting from these loans has continued during the present fiscal year. Consequently, other activities, especially those pertaining to guidance in directing completed projects toward satisfactory operations, had to be minimized in fiscal 1939 and 1940 and much of it deferred until fiscal 1941. Because of insufficiency of administrative funds, much of the operating assistance which should have been rendered to operating projects during the present fiscal year has had to be deferred until fiscal 1941.

The increase in the amount of work which must be done by REA during each year is clearly shown in the accompanying chart. Of the various measures presented in this chart, the most important is the cumulative number

of projects in operation. This is because the ultimate success of the rural electrification program of the Congress depends on how well the businesses of the borrowers are managed; and each project in operation must render economical and dependable service to the farmers if they are to receive the maximum benefits from the use of electric power. Particular attention is called to the decreasing unit cost curve shown on the right-hand side of the chart. This shows that the administrative appropriation per project in operation is constantly decreasing, from $9,000 per project in fiscal 1937 to $5,352 in 1938 to $3,364 in 1939 to $2,020 in 1940 and to $1,714 for fiscal 1941.

The rapidly growing number of projects in operation — an increase of 35 percent over fiscal 1940 — will need technical, managerial, legal, financial and load-building guidance in fiscal 1941 in order that they may become successful operating enterprises with ability to render dependable service and with sufficient revenue to pay interest and amortization charges on the Government loans. On the basis of the needs of these projects and the rapidly expanding mileage of energized line, it has been calculated that an increase of $410,000 for salaries and other expenses will be required to carry on the rural electrification program in fiscal 1941.

This net increase has been carefully calculated, based on records of performance for each type of activity, and is described in detail under each of the following work projects:

(1) Decrease of $38,057 for Lending Activities: aiding farmers to perfect their borrowing organizations; investigating feasibility of and making loans for rural electrification.— A decrease of $38,057 in the cost of this phase of the program is anticipated in fiscal 1941 notwithstanding the fact that in some respects the tasks of determining feasibility and of other lending activities will involve additional work because of an anticipated increase in the number of applications for loans. In contrast to an estimated 300 new projects in fiscal 1940, it is estimated that there will be 285 new projects in fiscal 1941. Every effort is being made constantly to simplify and standardize work throughout the organization and it is hoped that certain economies will be realized in this phase of the work without impairing its thoroughness or quality. The activities involved in this category of work, including field and other examinations, legal, engineering and certain managerial activities, relating to determinations of feasibility and the making of loans to rural borrowers, are of fundamental importance in the establishment of proper arrangements upon which to base the commitments of the Government and the borrowers in order that the latter can proceed in the design and construction of their electric systems. To some extent these activities vary with the loan funds available for line construction. In this connection, it should be noted that the cost of this phase of the work decreased $120,405 from fiscal 1939 to fiscal 1940, making an estimated total cost for fiscal 1940 of $406,690. However, the further decrease of $38,057 for fiscal 1941 as anticipated will be achieved primarily as a result of increasing efficiency and more experience in performing the essential steps involved in this phase of the work.

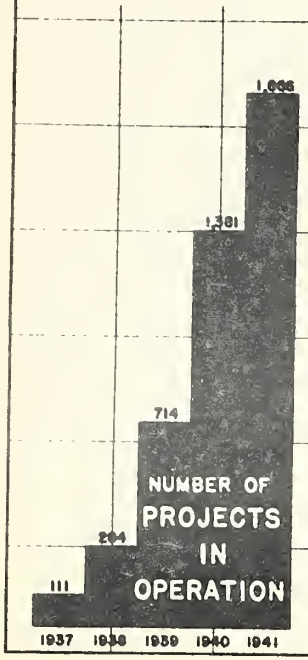
CHART NO. 1

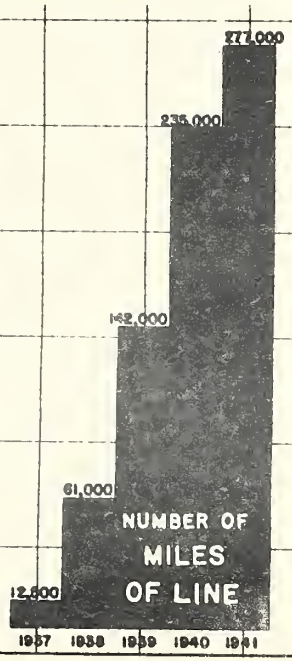
REA'S TASK

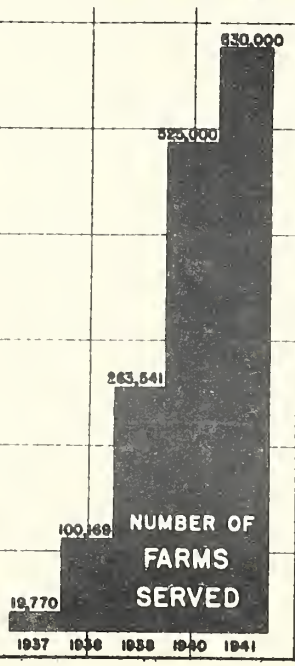
INCREASE OF REA RESPONSIBILITY AND WORK LOAD IN SAFEGUARDING GOVERNMENT LOAN INVESTMENT BY AIDING BORROWERS TO ACHIEVE SUCCESSFUL MANAGEMENT AS INDICATED BY PRIMARILY, THE NUMBER OF PROJECTS IN OPERATION; SECONDARILY, THE TOTAL NUMBER OF MILES CONSTRUCTED, THE TOTAL NUMBER OF FARMS SERVED AND THE TOTAL VALUE OF THE GOVERNMENT'S INVESTMENT - BY FISCAL YEARS

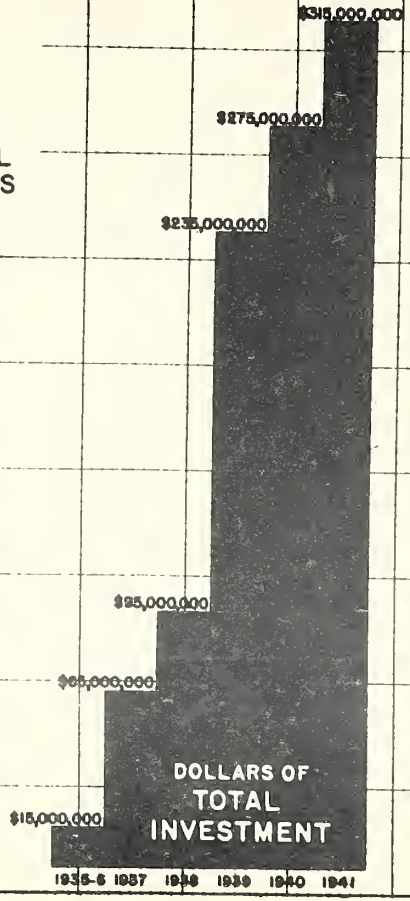
1936 - 1939 ACTUAL

1940 - 1941 ESTIMATED







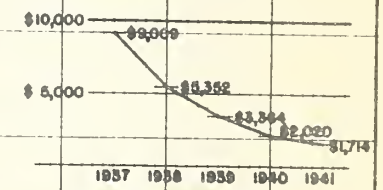


NOTE

AMONG THESE INDICATORS OF WORK LOAD THE PRIMARY ONE IS THE NUMBER OF PROJECTS IN OPERATION. THE OTHERS ARE SECONDARY. THIS IS BECAUSE EACH PROJECT REQUIRES INDIVIDUAL SUPERVISION AND ASSISTANCE, WHICH IS NEARLY AS GREAT FOR A SMALL AS FOR A LARGE PROJECT.

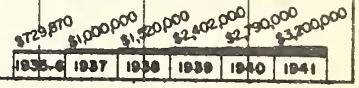
UNIT COST TREND

REA ADMINISTRATIVE APPROPRIATION PER PROJECT IN OPERATION



REA ANNUAL ADMINISTRATIVE APPROPRIATION

SAME DOLLAR SCALE AS TOTAL INVESTMENT



(2) Decrease of $105,507 in Line Building Activities: technical assistance to rural borrowers in designing, arranging for the construction of, and constructing their electric systems. A decrease of $105,507 in the estimated cost of this phase of the program is contemplated in fiscal 1941 because it is probable that the volume of work will be less than in fiscal 1940. While the most important measurable determinants of the work volume of this phase are the number of projects in process and the number of miles of line under construction, there are other immeasurable conditions and situations that have an important bearing on the amount of technical, legal and managerial assistance which is needed by projects in process of construction. This decrease of $105,507 reflects primarily the anticipated completion of the construction work generated by the $140,000,000 loan appropriation of fiscal 1939 which has placed a heavy burden on this phase of the work during the present fiscal year. Attention is called to the fact that the trend in the estimated cost of this work has been downward since fiscal 1939, the estimated cost in fiscal 1940 being $122,585 less than that of fiscal 1939. With favorable weather conditions, it is believed that a greater part of the work resulting from the fiscal 1939 loans will be completed by the beginning of fiscal 1941 and, as they are completed, the lines will then be ready for energization and operation.

On the basis of the work involved in a $40,000,000 loan program in fiscal 1941 plus the normal carry-over of work generated by loans of the present fiscal year, it is estimated that some 42,000 miles of line will be constructed during fiscal 1941. The importance of aiding borrowers in line building activities is apparent when it is recognized that the distribution lines constitute the sole security for the Government loan and that economical and sturdy line construction is essential to successful operation of borrowers' projects. The importance of these facts and their bearing on future operations of the projects have been carefully considered in preparing the estimated costs of this phase of the program in fiscal 1941. It is believed that the amount recommended will afford reasonable assurance to the farmers and the Government that this work will be done properly.

(3) Loan Protection: Safeguarding Government Loans. The ultimate success of the rural electrification program of the Congress depends, in a very real sense, on how well the borrowers manage their business. From the viewpoint of both the farmers and the Government, achievement of success means that farmers will enjoy permanently the benefits of electric power at rates low enough to permit maximum use but yet sufficient to make the interest and principal payments on the Government loan. There is no reason why these borrowers should not become successful operating enterprises if their officers and Rural Electrification Administration experts cooperate in developing and establishing the necessary managerial methods and techniques involved, particularly with regard to those unique characteristics of rural systems which differ in many important respects from those of strictly urban systems. Inasmuch as over 90 percent of these borrowers are cooperative or other non-profit organizations of farmers with no experience in the technology and operation of the electric utility business, it is apparent that they need for a considerable period after energizing, technical assistance and guidance in the management of their electric systems in order to establish themselves as successful operating enterprises.

The rendering of this help and guidance to projects in operation is becoming the most important phase of the rural electrification program, particularly in fiscal 1941 because of the rapidly increasing number of projects in operation. This expert assistance must necessarily be as varied as the ramifications of the utility industry itself. It must be adequate to meet the needs of the increasing number of projects if proper protection of the Government loans is to be assured and farmers are to obtain dependable electric service. At the end of fiscal 1939, there were 714 projects in operation; fiscal 1940, there will be an estimated 1,381 projects; and by the end of fiscal 1941 it is estimated there will be 1,866 projects, an increase of almost 35 percent over fiscal 1940. The increase recommended for fiscal 1941 for each of the following phases of this work reflect directly the needs and requirements of this situation.

(3a) Increase of $191,140 for Loan Protection Through Management Advice: assistance to rural borrowers in sound management and technical operation of their electric systems.-- An increase of $191,140 is requested for this phase of the program in fiscal 1941 in order to perform the additional volume of work resulting from the increase of 35 percent in the number of projects in operation. Many of these projects are now under construction and will be energized completely and ready for operation in the early part of fiscal 1941; others will be in partial operation at the beginning of fiscal 1941 and in complete operation before the end of that year. Management and other technical assistance to existing operating projects will continue and, in several instances, may have to be enlarged in fiscal 1941 because some of the essential work which should have been done in connection with projects when they first came into operation had to be deferred because of insufficient personnel. Deferring this work is dangerous inasmuch as borrowers are going concerns and it is important that problems be met as they arise, not only to prevent interruptions of service to the farmers but also to avoid the possibility of impairing the financial condition of the projects and the security for the Government loan.

This phase of the program cost $255,023 in fiscal 1939 (714 projects in operation) and an estimated $517,041 in fiscal 1940 (1,381 projects in operation). The increase of $191,140 for this phase of the program in fiscal 1941 over the estimated total cost in fiscal 1940 will make it possible to furnish the types of managerial assistance required by the 1,866 projects then in operation. While much of this additional work can be done through correspondence and the issuance of bulletins and other operating memoranda, some of the more technical and complex operating problems will require field work and personal contacts with officials of the projects.

Because sound management of these rural enterprises requires many types of assistance, ranging from highly technical engineering to financial, legal and cooperative organizational work, the increase recommended for fiscal 1941 for this phase of the program makes provision for all essential types of guidance which will be needed and requested by the growing number of projects in operation. More specifically, this added amount of guidance will be required to help the management of these projects in rendering low cost efficient service to the farmers and developing the cooperative organizations into stable business enterprises. All of these major types of assistance are essential in aiding the increasing number of projects in

operation to become successful enterprises capable of discharging their obligations to the Government.

(3b) Increase of $138,441 for Loan Protection Through Load Building: helping farm people to secure maximum benefit from electricity on their farms, including safe wiring.-- An increase of $138,441 in fiscal 1941 is to provide for the additional load-building assistance required by the increasing number of projects in operation and the estimated 630,000 farm families who will then be receiving electric service. This phase of the program cost $268,762 in fiscal 1939 (263,541 farms served) and an estimated $403,353 in fiscal 1940 (525,000 farms served). From July 1940 to July 1941 there will be approximately 42,000 miles of line placed in operation and electric service will be received by an approximate additional 100,000 farms. Rendering load-building assistance, including essential guidance in safe and adequate wiring to carry potential loads, to these additional farms necessitates a substantial increase in this phase of the program during fiscal 1941, although the cost per farm is manifestly decreasing. The increase for fiscal 1941 of $138,441 over the estimated total cost of this work of $403,353 during fiscal 1940 will permit the addition of a reasonable number of specialists and provide for other load-building activities needed.

Load-building assistance to borrowers and farmers has a very direct bearing on the financial success of the projects and their ability to make their interest and principal payments on the Government loans. In order to make these loans self-liquidating, the projects must receive sufficient revenue from the sale of power to their farmer-members to pay costs of operation and maintenance and have a balance remaining sufficient to meet their obligations to the Government. Adequate revenue to meet these charges depends necessarily on the amount of electricity used by the farmers. Through the guidance rendered the farmers and the projects by the agricultural specialists, other load-building experts and specialized bulletins of Rural Electrification Administration, farmers discover more and more profitable uses of electricity and the resulting increased consumption provides additional revenues from which payments on the Government loan can be made. If informed concerning the many uses of electricity in farm and community activities other than for lighting, farm people may increase their incomes, save time, and eliminate the drudgery involved in many farm chores. It is planned, therefore, in fiscal 1941 to continue the load-building assistance already started on existing projects and to start similar activities on new projects in order to help farmers and aid them in building revenues of their cooperatives. Because of insufficient personnel, more than 100 operating projects have not received any load-building assistance for over a year; others have received very little. It is important that these projects, as well as all other operating projects, be assisted in fiscal 1941 in carrying on this essential activity.

(3) Loan Protection -- Safeguarding Government Loans:

(3a) Through Management Advice: assistance to rural borrowers in sound management and technical operation of their electric systems. This phase of the work is concerned with assisting projects to become successful operating businesses capable of meeting all their obligations including interest and amortization on Government loans. It is essential to the success of the program that this guidance to projects--guidance which they cannot obtain from any other source--be continued until they have gained sufficient management experience to assure the effective discharge of their obligations to the Government and to the farmers. The objective of guiding projects in the management and operation of their electric systems is to effect all possible economies and increase efficiency. This makes it possible for farmers to receive maximum benefits of electric power at low rates and, at the same time, it strengthens the Government's security by enlarging the balance between revenue and expense from which must come the funds for interest and principal payments on the Government loans. The operation of rural distribution systems differs from that of urban systems and presents many unusual technical problems the solutions of which require expert assistance. In addition to technical considerations, sound management of cooperative enterprises involves the development of democratic organization of members on the basis of cooperative principles.

Assistance to borrowers in sound operation of their distribution systems requires, therefore, the services of a great many different specialists and technicians. The assistance of these experts is made available to projects through frequent field visits, correspondence, operating memoranda, bulletins and other printed material. Experience indicates that all of these play an important role in helping projects establish themselves as sound business enterprises. Among the more important types of management guidance needed by the projects are the following: technical assistance in distribution engineering and line maintenance for voltage regulation and rendering of dependable service to farmers; aid in the development and continuance of cooperative organizations on democratic principles; cooperation with projects in the development of their managerial policies and methods through conferences, correspondence and field visits; assistance to improve efficiency through analyses of monthly operating statements of revenue and expenses and through budgetary controls; aid in negotiations and arrangements for adequate insurance coverage at rates commensurate with risks; helping projects in development of safety programs to protect life and property; and legal assistance on matters of public regulation, by-laws and charters, consolidations, and taxes.

(3b) Through Load Building: helping farm people to secure maximum benefits from electricity on their farms, including safe wiring. This phase of the work is concerned with assisting projects to increase their revenues by acquainting farmers with the many profitable and effective uses of electricity in farm and household operations and in community enterprises. Experience indicates that by starting a load-building program before lines are energized and continuing it in accordance with a definite plan, farmers connect earlier, power consumption enlarges more rapidly, and the projects become revenue-producing enterprises more capable of discharging their obligations to the Government. While the large majority of farmers are enthusiastic about electricity, most of them must be informed about its potential

The work of auditing and inspecting the financial transactions involved in a program already amounting to more than $266,000,000 is a major undertaking but is essential to the protection of the Government loans. Not only are construction expenditures audited and checked but also the disposition of project revenues from which interest and amortization payments on the Government loan must come. Legal assistance to borrowers in major litigation cases and in the making of contracts and other major commitments is rendered when necessary to avoid possible impairment of the security underlying the loans. The auditing of borrowers' expenditures of Government funds for the construction of their electric system is composed of two parts: audits of borrowers' requisitions for advances of funds, and audit of all vouchers to determine that the funds have been expended for the actual quantities of proper items at contract prices.

Field auditing of borrowers' accounts consists of several distinct activities. The first relates to setting up a uniform system of accounts for each borrower and instructing the project bookkeeper in its uses. This accounting system reflects all applicable provisions of the accounting regulations of the Federal Power Commission. Schools for project bookkeepers have been found very effective in teaching and explaining the accounting work essential to proper project records. The second type of field audit is concerned with the construction audit which is made after contractors have finished construction and is one of the most important audits from the viewpoint of the Government. This audit, made in conjunction with inspection engineers, gives the Government the actual cost of construction of the projects. The third type of field audit is concerned with a final audit before the project is officially turned over to the borrowers. At that time it is necessary to know the exact financial status of the enterprise. The fourth type of field audit, of which very few have been made because of insufficiency of personnel, relates to the periodic audit of borrowers' accounts. The primary purpose of these audits is to determine the actual financial status of the projects and the disposition of their revenues. Experience of industry and banking generally indicates the desirability of periodic audits, especially in those instances where long-term loan obligations or other outside interests must be safeguarded.

The collection of interest and amortization payments on the Government loans involves the maintenance of accurate accounting records for each project, the preparation and billing of monthly interest and amortization, the financial relations with Reconstruction Finance Corporation, and the making of financial arrangements for the collection of the interest and amortization payments.

use for more than lights and radios, and need information on adequate and safe wiring in order to use electrical equipment. Many farmers do not purchase equipment which they could use profitably in their work because they are unaware of its existence.

Many types of activity are required in assisting projects to increase the consumption of electric power on their lines. As soon as projects are under construction, demonstrations are started to inform farm people about the benefits they can receive from using various household and farm electrical equipment. Guidance is given farmers in securing safe and adequate wiring at reasonable costs. Suggestions and aids are given project officials for local campaigns to build revenue and secure additional farmers on the lines. In all of these activities, close cooperation is maintained with the Extension Service, Experiment Stations, agricultural and other colleges, vocational teachers and all others interested in improving farm income and welfare. Local dealers are encouraged to stock, sell and service farm electric equipment. Manufacturers are stimulated and encouraged to develop equipment especially suitable for farm use at reasonable prices and to secure adequate distribution outlets in project communities. For the development of additional income-producing electrical equipment much reliance is placed on other bureaus of the Department of Agriculture whose functions are to conduct research work of this type. Attractively designed literature about the uses of electricity on the farm constitutes an important part of the load-building program because it supplements and reenforces field visits and demonstrations and goes to many farmers impossible to reach by any other method.

No other organization, either public or private, is in position or has the interest or personnel to render this intensive load-building assistance which is essential to the protection of the Government loans. By building promptly the power consumption and revenue of the projects, not only is the security underlying the Government loans enhanced, but also there results an immediate benefit to the farmers through increasing their incomes and lessening drudgery. The progress already achieved by the load-building program on certain projects is very encouraging because it indicates that self-supporting electrification can be carried into many rural areas heretofore considered uneconomic.

(3c) Through Audits, Inspections, Collections: auditing of records, checking of commitments and other contingent liabilities, and collecting interest and amortization. This phase of the work is concerned with keeping accurate records of all financial relations with borrowers; auditing of borrowers' expenditure reports for construction to see that Government funds are used properly and in accord with all provisions of executed contracts; field auditing of borrowers' records to determine the financial status of their enterprises and the disposition of all funds lent by the Government and received from the sale of power; checking of borrowers' assets to verify reported expenditures; reviewing of all contracts and other commitments which may influence the financial condition of borrowers and the security of the Government loan; and collecting interest and amortization on the Government loans.

(3c) Increase of $189,869 for Loan Protection Through Audits, Inspections, Collections: auditing of records, checking of commitments and other contingent liabilities, and collecting interest and amortization. An increase of $189,869 is made necessary primarily because the 35 percent increase in the number of projects in operation will require a larger staff of auditors and field personnel to safeguard and assure the proper expenditure of Government funds and, of increasing importance, the proper disposition of project revenues from which interest and amortization payments on the Government loan must come; and to conduct the increasing amount of accounting work, including preparation and sending of monthly statements required in connection with the interest and amortization payments of borrowers. This phase of the program cost $391,183 in fiscal 1939 (1,378 projects in process and in operation) and an estimated $579,399 in fiscal 1940 (2,051 projects in process and in operation). In fiscal 1941 it is estimated there will be 2,166 projects in process and in operation. Part of the increase needed in fiscal 1941 must be used to perform the deferred auditing and checking of records of projects now is operation, all of which work should have been done when projects were completed but had to be deferred because of an inadequate auditing and field staff. As a result, it is estimated that almost 400 final completion audits and loan closings must be made in fiscal 1941, which will require additional auditing and legal work. It should be noted that very few loan closings can be made in fiscal 1940.

To safeguard the expenditure of Government funds and protect the underlying security for the mortgages held by the Government requires constant and vigilant auditing and checking. This work is more than mere verification of records; it discloses situations which guide the management and load-building specialists in direction of their efforts to assist the projects in becoming successful operating enterprises. Without thorough audits and other checks of the financial operations of borrowers, there is a very real danger that Government funds and project revenues will be spent improperly or dissipated and the Government loans impaired. In fiscal 1941 it is estimated that periodic audits should be made of the records of 636 borrowers. To date, there has been a negligible number of these audits performed because of insufficient personnel.

The increase of $189,869 for fiscal 1941 over the estimated total cost of $579,399 in fiscal 1940 will make it possible to keep this phase of the work in step with the requirements of the program, and will afford reasonable assurance to the Government and the farmers alike that the funds and financial transactions of the cooperative borrowers are being handled in a proper manner.

(4) Increase of $24,114 for General Administration. An increase of $24,114 is needed in fiscal year 1941 to provide additional staff to assist the Administrator in formulating policies, coordinating the work of the organization, effecting operating economies, making studies of major problems and generally executing the program of the Congress. The most important part of the additional work involved in general administration in fiscal year 1941 will be concerned with the formulation of general policies in connection with the growing responsibilities resulting from a 35 percent increase

in the number of projects in operation. The increase of $24,114 in fiscal year 1941 over the estimated total cost of $242,090 of this work in fiscal year 1940 will enable the Administrator to meet and handle the broader problems that inevitably arise in the course of carrying out an enlarging program of the magnitude and character of a rural electrification program involving assistance and guidance in fiscal year 1941 to an estimated 2,451 projects started, in process and in operation, representing a total investment of approximately $315,000,000.

CHANGES IN LANGUAGE

The following changes in language are proposed in this item: (1) Insertion of an introductory paragraph to conform with the set-up of similar existing units in the Department of Agriculture, such as the Federal Crop Insurance Act, the Farm Tenant Act, etc., (2) Elimination of language which, with the incor oration of the Rural Electrification Act in the estimates of the Department of Agriculture, would duplicate or conflict with existing general departmental authority, (3) Insertion of wording which would allow not to exceed $1,350 for the purchase of motor-propelled vehicles for use in the District of Columbia and elsewhere, and (4) inclusion of a proviso to permit the Secretary of Agriculture to make allotments of funds to the various branches of the Office of the Secretary for the performance of departmental services arising out of the inclusion of the Rural Electrification function in the Department of Agriculture. As shown by the Budget schedules under the Office of the Secretary and the Office of Information, allotments for this purpose, totaling $45,000 to the Office of the Secretary proper (for budgetary, financial and personnel administration and service and for general operations, including mails and files, telephone and telegraph, etc.) and of $5,000 to the Office of Information (for informational work and duplicating service, in connection with the Rural Electrification Administration program), one of the units of the Secretary's Office, have been made in 1940 for these purposes and continuation thereof is provided for in the estimates.

WORK UNDER THIS APPROPRIATION

General, The Federal rural electrification program began with the establishment of Rural Electrification Administration by Executive Order No. 7037, May 11, 1935, under the Emergency Relief Appropriation Act of that year. By the Rural Electrification Act approved May 20, 1936 the Congress reestablished Rural Electrification Administration as a more permanent agency to carry out a definite ten-year program of rural electrification. Under the Reorganization Act approved April 3, 1939, the administration of the agency was placed under the general direction and supervision of the Secretary of Agriculture, effective July 1, 1939.

Work under this appropriation involves the execution of the rural electrification program established by the Congress as set forth in the Rural Electrification Act of 1936. The Act specifies that "The Administrator is authorized and empowered to make loans in the several States and Territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, as hereinafter provided; to make, or cause to be made, studies, investigations, and reports concerning the condition and progress of the electrification of rural areas in the several States and Territories; and to publish and disseminate information with respect thereto." The Act further provides that loans for the furnishing of electric energy shall be self-liquidating within a period not to exceed twenty-five years; that in making loans preference shall be given to States, Territories, municipalities, peoples utility districts and cooperative, non-profit, or limited-dividend associations; that loans may be made for financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment; and that loans shall be on such terms and conditions relating to the expenditure of the monies loaned and the securities therefor as the Administrator shall determine and may be made payable wholly or in part out of income.

The Act, recognizing the need for an orderly, continuous, long-range development, provided for a ten-year program and authorized for the purpose the provision of funds eventually totaling $410,000,000 and constituted as follows: $50,000,000 for fiscal 1937, and $40,000,000 for each of the succeeding nine years, the appropriation for each of these years being subject to a specific Act of the Congress. In fiscal 1939, there was appropriated an additional $100,000,000 to be available from funds of the Reconstruction Finance Corporation.

At the time of the establishment of the rural electrification program electric service was available to only one out of every ten farms in the country. Today electric power is available to one out of every five farms. While these figures indicate the rapid strides taken in the past four years to make electricity available to farmers, they also reveal the number of farms still denied the benefits of electric power. The Federal rural electrification program has played an important part in achieving this progress of the past four years through loans as of November 1939 of more than $266,000,000 to some 680 borrowers with which to make electric power available to approximately 675,000 farms of which more than 300,000 are already receiving service. As rapidly as additional lines are energized this number continues to increase and it is expected that by the end of fiscal 1941 electric service will be available to about 800,000 farms. In addition to these loans, the Federal program has provided a real stimulus to private utility companies to build rural lines, which has resulted in increasing the number of farms receiving electric service from their extensions.

When the rural electrification program was inaugurated in 1935 it was assumed that the greater part of the funds would be lent to existing private companies because they were going concerns, and that a minor part would be lent to cooperative and other non-profit associations. The development of the program, however, has been radically different from this initial assumption. Instead of private companies constituting the major group of borrowers, approximately 92 percent of the loans have been made to cooperative and other non-profit borrowing organizations, set up by farmers in communities under their respective State laws. It should be noted that circumstances guided the lending of public funds to the non-profit type of enterprise so strongly emphasized and favored in the Act. Until they organized these cooperative enterprises to borrow Federal funds, many farmers were helpless to secure electric power.

To achieve the objectives of the Congress to make electric power available to as many farmers as possible at lowest rates through self-liquidating loans, means that REA must perform those activities necessary to safeguard the Government loans and assure the farmers of dependable, adequate electric service. The trend in the development of the cooperative as the principal type of borrower has exerted and still is exerting a dominant influence on the responsibilities and activities of Rural Electrification Administration. This is apparent when it is considered that the cooperatives are newly formed, non-profit associations of farmers who generally have had no experience in the organization and conduct of large-scale industrial business enterprises, and who have had no experience particularly with the technology and business of electric utilities. As a consequence, it is essential that REA give expert aid to the cooperatives in order that they may constitute sound borrowing organizations, established properly in accordance with all applicable laws, and that their electric systems be designed and constructed to conform to all engineering and legal requirements in order to assure a sound base for low cost and efficient service to the farmers. After the lines are built and energized, REA must maintain a close working relationship with these borrowers to guide them in establishing an efficient management, including adequate maintenance and economical operation, in order that farmers may receive the benefits of dependable electric service and the Government loans will be properly protected. Attention is called to the fact that the interest and principal payments to the Government must come from the revenues received by the borrowers from their sales of power to the farm members.

The work of the organization, as discussed in the following paragraphs, consists therefore of lending activities, helping borrowers to obtain proper electric systems, and protecting the Government loans through management and load-building assistance and through audits and other checks -- all of which is essential to making electric power available to farmers on as economical a basis as possible with due consideration for the security of the Government loans. Since reference has already been made to each of these major phases of the

work of REA, a summary of the activities of each phase will be presented in the following paragraphs.

(1) Lending Activities: aiding farmers to perfect their borrowing organizations; investigating feasibility of and making loans for rural electrification. This phase of the work is concerned with applications for loans and evaluation of economic feasibility and probability of loan repayment; determination if applicants constitute valid borrowers in accordance with applicable laws of the several States; the making of allotments, and preparation and execution of loan contracts and other necessary legal documents, including all administrative, legal, engineering, financial and information activities involved therein. Considerable field assistance, in addition to that contained in correspondence and printed material, is rendered farmers to inform them of the steps they must take to prepare their loan applications, make their consumer surveys and estimate the probable needs and consumption of electric power by the farmers in their communities. These field activities, of course, enable representatives to obtain vital information at first hand as to the characteristics of the area and type of farms, which facilitates evaluations of feasibility. Because of wide variations among laws of the several States under which the borrowers are established, much painstaking and detailed work is involved in determining validity of organizations and the many documents necessary to the lending of funds by the Government. Calculations of feasibility are made on the basis of preliminary budgets showing probable revenues, costs of operation and interest and principal charges of the Government loan. Sources of power, wholesale rates and possible consolidations with other projects are studied and evaluated. All of these activities are preliminary and essential to the perfecting of sound borrowing organizations and the execution of valid loan contracts.

(2) Line Building Activities: technical assistance to rural borrowers in designing, arranging for the construction of, and constructing their electric systems. The purpose of this phase of the work is to assist borrowers in the design and construction of their systems and in the making of all arrangements required in connection therewith in order that they will have the best possible organization and physical equipment with which to supply electric power to farmers at lowest rates. This phase is concerned with aiding borrowers in the multitude ob business, technical and legal activities which they must perform to build their electric systems, and is carried on through correspondence, bulletins and announcements, and field visits. In addition to technical guidance on the design and actual physical construction of the lines, this phase includes assistance in the making of all arrangements, legal and financial, required in connection therewith to protect the Government and the borrowers. This involves aid in connection with the procurement of right-of-way easements, preparation of miscellaneous contracts between borrowers and others, and negotiations for wholesale power at

fair rates and execution of wholesale energy contracts; guidance in preparation of retail rates; advice to project boards of directors in connection with management and the setting up of offices and purchase of equipment; and examination and approval of borrowers' depositories to safeguard Government monies and of the credit standing of borrowers' officers. Construction contracts, prices, specifications, and other details are examined, checked and approved to obtain maximum economy. Since REA was established the average cost of rural electric lines has been reduced from $1,500 to $1,800 a mile to less than $800 per mile. To the farmers this means substantial savings in their rates, and to the Government greater security for the loans.

(4) General Administration. This phase of the work is concerned with: determination of policies, and problems arising out of their execution; coordination of the several activities required in execution of the program and development of the efficiency of each; control of internal operating procedures and standards and the scheduleing of the various activities; relations with other interests, both public and private; relations with project members, directors and officers; and policy-making investigations pertaining to the development and improvement of extension of electrification into rural areas. These activities are the concern of the Administrator and his staff of assistants.

One of the most important managerial techniques involved in the execution of the rural electrification program has been the establishment by an experienced management engineer of schedules of performance for each type of activity. Through close adherence to these schedules, the work involved in each operation is coordinated with the previous and succeeding operations so that the program moves forward in an orderly manner, each operation being performed at the right time and in relation to all other operations. As a result of these schedules and the necessary controls to make them effective, many operating economies and increased efficiency have been obtained without impairment of either quality or thoroughness of work. For example, the scheduled period of time elapsing between an allotment of funds and the execution of the construction contract has been reduced from 36 weeks in fiscal 1936 to 22 weeks in fiscal 1937, to 16 weeks in fiscal 1938, and to 12 weeks in fiscal 1939. As in previous years, these schedules of performance have been used to calculate the requirements of the program for fiscal 1941. In a very real sense, therefore, the recommended budget for fiscal 1941 is a calculated budget.

The volume of work involved in executing the rural electrification program is dependent primarily on the following factors: (1) number of projects started; (2) number of projects in process (meaning in some stage of construction); (3) cumulative number of projects in operation; (4) number of miles of line scheduled for construction or completed, and (5) number of farms served or to be served. The influence of each of these major factors varies, of course, among the various operations. Some operations are concerned primarily with projects started, others with projects in process and still others with cumulative projects in operation. The statistics presented in the following tables are among the basic data used in scheduling operations and are shown graphically in the chart which has been referred to in preceding paragraphs. The changing emphasis of the rural electrification program from one of primarily construction of lines to one requiring an increasing amount of attention to projects in operation is shown in the following table of the number of

projects in each stage of development:

Fiscal	Number of Projects Started	Number of Projects in Process	Cumulative Number of Projects in Operation
1939	1,040	664	714
1940	300	670	1,381
1941	285	300	1,866

The following table presents the estimated cumulative number of miles of line constructed or to be constructed through fiscal 1941:

As of July of Each Year	Cumulative Number of Miles Constructed
1938	61,000 miles actual
1939	142,000 estimated
1940	235,000 estimated
1941	277,000 estimated

The growth in the number of farms receiving electric service from Government-financed power lines is indicated by the following table:

Date	Cumulative Number of Farms Receiving Service From REA-Financed Lines
December 1935	200
December 1936	8,500
December 1937	45,000
December 1938	165,962
June 1939	263,541
June 1940	525,000 estimated
June 1941	630,000 estimated

(b) RURAL ELECTRIFICATION LOANS

Appropriation 1940	$40,000,000	
Budget Estimate 1941	- -	(a)
Decrease	$40,000,000	

(a) The Budget estimates contemplate that no direct appropriation will be made for rural electrification loans for 1941 but that $40,000,000 shall be borrowed for this purpose from the Reconstruction Finance Corporation. The language of the 1941 Budget submission is on this basis.

As of November, 1939, $266,000,000 had been loaned, during a four year period, to some 680 borrowers with which to make electric power available to approximately 675,000 farms, of which more than 300,000 are already receiving service. During the fiscal year 1941 the full $40,000,000 authorized will be required to continue present progress in meeting applications, in order to make electric service available to upwards of 800,000 farms by the close of that fiscal year.

(c) PRINTING AND BINDING

Appropriation 1940	$90,000
Budget Estimate 1941	100,000
Increase	10,000

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	1941 (Estimated)	Increase
Forms and stationery	$16,854	$28,000	$30,000	+ $2,000
REA news, pamphlets, and folders	54,187	62,000	70,000	+ 8,000
Total obligations ...	71,041	90,000	100,000	+ 10,000 (1)
Transfer from Salaries and Expenses	-29,638	---	---	---
Unobligated balance	+10,000	---	---	---
Appropriation	52,000	90,000	100,000	+ 10,000

INCREASE

(1) An increase of $10,000 is requested for Printing and Binding, to increase the number and size of editions of the bulletins and pamphlets issued to assist projects in building load on their lines, strengthen their cooperative managements and inform farmers of the many beneficial uses of electricity. Additional printing funds will be required in order to meet the information requests of the estimated 200,000 additional farmers receiving electricity from Government-financed lines. It is impossible for these farmers to procure such information from existing technical literature or from any other source. The work of field people and project personnel is greatly enhanced by informational booklets, pamphlets and circulars which give selected, important information bearing on the general management and the load building in particular of electrification projects. This is clearly shown by the thousands of requests received from farm people for information concerning electrical equipment and its uses. As in fiscal 1939 and fiscal 1940, most of the printing for fiscal 1941, except administrative, legal and engineering printing of operation documents, will implement load building and management assistance to projects and their farm members. As the number of projects in operation or ready for energization increases, requests from

farmers for information increase, and inevitably the volume of printed matter required to answer them increases. Also as the experience with new uses for electricity on the farm accumulates, the variety of printed literature must expand to meet additional requests. These needs are reflected in the increase of $10,000 recommended for fiscal 1941.

WORK DONE UNDER THIS APPROPRIATION

This appropriation is used to cover costs of printing in connection with the rural electrification program.

Passenger-Vehicle Authorization

The estimates for 1941 provide for the purchase of two passenger-carrying automobiles, including one station wagon, at a net cost estimated at $1350 ($1500 less $150 allowance on station wagon to be turned in). The station wagon to be replaced is used for the transportation of mail, supplies and passengers, and will have been in use four years by the fiscal year 1941. It is badly in need of replacement. An additional car also is urgently needed, as provided for in the estimates, for the transportation of officers and employees between buildings of the Rural Electrification Administration and the Department of Agriculture and elsewhere.

SUPPLEMENTAL FUNDS

Projects	Obligated, 1939	Estimated obligations, 1940	Estimated obligations, 1941
Emergency Relief, Agriculture, Rural Electrification Administration (Adm. Expenses) Transfer from W.P.A.	$6,622	$8,334	(a)
Emergency Relief, Agriculture, Rural Electrification Administration -- Federal non-construction projects (Transfer from W.P.A.) Record diagram project	124,917	200,000	(a)
Emergency Relief, Rural Electrification Administration (Parks, Utilities, Flood Control, etc. -- non-Federal projects) Transfer from W.P.A. W.P.A. construction of R.E.A. lines	34,987	- -	- -
Total	166,526	208,334	- -

(a) 1941 Estimate for Emergency Relief not yet available (December 5, 1939).

BELTSVILLE RESEARCH CENTER

Appropriation Act, 1940.....	$85,000
Budget Estimate, 1941.....	109,450
Increase.....	24,450

PROJECT STATEMENT

Project	1939	1940 (Estimated)	1941 (Estimated)	Increase
Beltsville Research Center....	$84,471	$85,000	$108,000	$+23,000(1)
Additional for administrative promotions.....	------	------	1,450	+1,450(2)
Unobligated balance.....	529	------	------	-------
Total appropriation.....	85,000	85,000	109,450	+24,450

INCREASE

(1) An increase of $23,000 is requested to provide for immediate needs for additional personnel and maintenance, repair, and improvement of roads at the Beltsville Research Center, as follows:

$1,620 to provide for the salary of a nurse for an emergency room. A trained emergency aid to render proper first-aid treatment has never been provided at the Center and is urgently needed. There are approximately 765 persons regularly employed at the Center at the present time and it is estimated there will be an increase of approximately 235 persons, or a total of 1,000 persons employed in 1941. There are also approximately 762 persons employed under the Emergency Program. There are certain types of employment, such as work in the Mechanical Shops, attendants dealing with livestock at the Center, and the laboratory work, which could be classed as somewhat hazardous types of employment and further emphasize this need. The presence of a nurse, competent to administer first-aid and to care for simple wounds, also to provide medicinal remedies for normal ailments, will result in definite economies to the Government. The present procedure of taking injured employees to the United States Public Health Service in Washington, a distance of approximately fifteen miles, presents certain hazards as well as an item of expense. During the fiscal year 1939, there were 313 injury cases sent to the United States Public Health Service in Washington. Many of these cases required several treatments which necessitated increased costs of transportation to Washington and return, as well as the loss of the individual's time, which costs could be eliminated if a nurse were in attendance at the Center.

$13,000 for the maintenance, repair and improvement of roads. The experimental activities located at the Beltsville Research Center occupy approximately 12,461 acres and are served by 61 miles of roads of varying types as follows:

Gravel roads.....	27 miles
Earth roads.....	23 miles
Surfaced roads.....	11 miles
Total.....	61 miles

Under date of May 10, 1939, the Secretary approved an agreement whereby responsibility for the road system at the Center was placed under the jurisdiction of the Bureau of Public Roads, now the Public Roads Administration of the Federal Works Agency. This involves control of the location, design, construction, and maintenance of all roads at the Center. After detailed studies by representatives of the Public Roads Administration, that agency submitted an estimate of $48,950, which amount they have determined to be necessary to provide for an adequate and economical program of road construction and maintenance for the fiscal year 1941, including bituminous surface treatment of 13.25 miles of existing gravel roads. Of this amount, $10,000 is already available under the regular appropriation for the Center and $13,000 is being requested herein as urgently needed to supplement the regular appropriation. This amount will be used for the following purposes:

Maintenance of 8 miles of hard-surfaced roads at $500 per mile.....	$4,000
Maintenance of 40 miles of earth and gravel roads, such as blading the surface, replacement of culverts and other drainage structures, etc. at $100 per mile.....	4,000
Bituminous surface treatment for two miles of gravel road at $2,500 per mile.....	5,000
	13,000

Although improvements have been made in the road system each year, sufficient funds have not been made available to keep the roads in good condition and to have them surface-treated throughout the area. The roads at the Center carry very heavy traffic and must be kept open at all seasons of the year, in order that supplies and materials may be delivered at all times. It is necessary that heavy fuel oil trucks deliver oil to fuel tanks with total capacity of 101,275 gallons. During the winter months some of these tanks must be serviced three times a week, and there is seldom a day, except Sundays, when these large trucks, weighing approximately 10 to 12 tons are not traveling Center roads. In addition to the fuel oil, approximately 15,000 tons of coal will be delivered during the heating season. Food from the granary and trucks carrying approximately 5 tons of hay must be able to reach the various units having experimental animals. Large quantities of supplies and materials are delivered practically daily and 900 regular employees will use the roads. The emergency building program has created an unusual amount of wear and tear on the roads during the past year and with the continued building program during 1940, the Center is faced with a critical situation of road maintenance. If the present hard-surfaced roads are not maintained, a large investment will be lost as the roads will fail. Maintenance of the dirt roads is essential as they are impassable during the

winter season unless they are worked regularly. It is hoped that the present gravel roads may gradually be replaced with hard-surfaced roads, and it is requested that sufficient funds be provided to hard surface two miles of road during 1941.

$1,440 for property accountability. (Junior clerk-typist, CAF-2, $1,440). The services of a clerk-typist are urgently needed to maintain uniform property accountability records in accordance with recently established General Accounting Office procedure, prepare invoices or transfer forms when property is received or transferred between divisions, make physical inventories of nonexpendable property (valued at approximately $114,240), mark for identification purposes all nonexpendable property, and assist the Board of Survey in connection with the disposition of surplus or unserviceable property reported by the various units at the Beltsville Research Center.

$3,000 for communications service (mail and files, telephone switchboard, and messenger services). This amount is requested to provide for the services of one clerk-supervisor, grade CAF-4, $1,800 per annum, and one messenger-chauffeur, grade CU-3, $1,200 per annum. The present mail distribution and filing systems are inadequate to meet the existing needs but sufficient funds are not available to employ additional personnel. Also, the increased volume of work due to the advent of the three new units, and the increased activities of the present bureaus located at the Center will necessarily increase the volume of mail to be handled. This operation involves collection and distribution of mail to the various buildings occupied by the bureaus throughout the Genter, as well as transportation of mail, supplies, materials, equipment, etc., to and from Washington. The increased activities at the Center will, likewise, increase the telephone service requirements. The clerk-supervisor will be placed in charge of these functions. The services of a messenger-chauffeur are needed in connection with the distribution of mail and things between the various buildings of the Center and to and from the Department in Washington.

$2,000 for personnel and payroll functions. The services of a senior clerk-supervisor, grade CAF-5, $2,000 per annum, are urgently needed to provide a responsible supervisor of personnel functions. During 1939, there were approximately 123 persons employed permanently, and approximately 690 temporary and seasonal employees. Upon the occupancy of the new buildings now under construction, approximately 59 employees will be added to the rolls to enable the Center to furnish necessary additional services. The work involved in the qualification, investigation, and selection of personnel, as well as the maintenance of personnel, leave, retirement, time, payroll and other records, has presented a problem of real magnitude. There have developed new responsibilities incident to the entire program of personnel management which require closer contact of a responsible character with the Department's Personnel Office. The services of a senior clerk-supervisor are urgently needed to assume more immediate responsibility in this field in addition to supervising the work of the Personnel and Payroll Section.

$1,940 for accounting functions. The services of one junior clerk-typist, grade CAF-2, $1,440 per annum, and one part-time junior clerk-typist ($500) are urgently needed to help in the cost accounting and billing work incident to reimbursable operations performed for the bureaus. The major portion of the work performed by the Center management is of a reimbursable character and consists of general farming operations, maintenance, repair and construction services, utility services such as electricity, gas, water, telephone, sewage disposal, etc. The following table indicates the increase in reimbursable work performed by the Center since its organization in 1935 and the estimated volume for 1940 and 1941:

Fiscal year	1936	-	$189,031
" "	1937	-	258,274
" "	1938	-	421,281
" "	1939	-	508,466
" "	1940	-	55[illegible],600 (estimated)
" "	1941	-	750,000 (estimated)

The actual cost of labor and materials are itemized for each service request submitted by a bureau and must necessarily be reflected in the cost accounting and billing operations of the accounting section. No funds have been appropriated to the Center management office for additional personnel since its establishment. The present volume of business is such as to require the performance of a considerable amount of overtime service at billing periods, and the anticipated increase in reimbursable operations in 1941 will present an insurmountable situation unless additional assistance is provided. The junior clerk-typist is needed for clerical work, typing of monthly bills and typing of reports to the General Accounting Office and the Treasury Department, in addition to those required by this Department. Another identical position will be occupied on a part-time basis during the periods when the volume of business is heaviest.

(2) $1,450 additional is estimated for administrative promotions in accordance with the plan which is being uniformly applied in the Budget Estimates for 1941.

WORK UNDER THIS APPROPRIATION

The funds provided under the appropriation are utilized for the development and maintenance of the departmental services and management functions at the Beltsville Research Center. These activities include the performance of general farming work, the shop work, garage repair work, and maintenance of the buildings and grounds on a reimbursable basis, as well as the furnishing of centralized services such as water, fire protection, sewage disposal, electricity for power and lighting, telephone, guarding the premises, and mail and trucking services, the maintenance of the roads, the purchase of trucks and other farm and shop equipment, and the maintenance of a cost accounting system.

In the fiscal year 1941, there will be twelve units of eight Bureaus of the Department of Agriculture operating at the Center, including: Plant Industry, Dairy Industry, Animal Industry, Food and Drug Administration, Home Economics, Entomology and Plant Quarantine, Soil Conservation Service, and the Forest Service. The Radio Unit of the Bureau of Standards, three C.C.C. Camps, and the Patuxent Research Refuge of the Bureau of Biological Survey

of the Department of the Interior, are also located at the Center and utilize its facilities.

A water distribution system has been provided which serves all units at the Center and which makes possible adequate protection in case of fire. A fire-fighting unit, equipped with motor-driven pumps, hose, and essential accessories, is operated by the Center under a "volunteer" fire-fighting type of organization. A modern sewage disposal system provides a degree of sanitation and protection impossible to secure in any other way, and, in addition, produces a by-product in the form of sludge that is used as fertilizer. The consolidated purchase of electric power and distribution over a Government-owned system reduces the cost materially below that which would prevail if this type of service were purchased individually by the Bureaus. A central switchboard serves the Center at a lower cost than would be possible for individual service. The road problem is a general one and obviously must be handled by the Center management organization. A central mechanical shops provides facilities for necessary repairs of all types of equipment, building maintenance, construction of small experimental structures, animal pens, and related types of work. The farm unit performs all the general farming operations, such as the preparation and cultivation of the land, raising experimental and feed crops of many types, and the maintenance of the roadsides and pastures. The work of the mechanical shops and the farming operations unit is performed on orders from the Bureaus and is paid for by them on a reimbursable basis.

The Center organization handles the general business management functions and supervises all general operational activities other than the technical and experimental functions of the bureaus. A regular inspection of plant and premises is maintained outside of office hours to prevent trouble from developing while employees are not in attendance. A truck service is provided to transport materials and supplies between the bureaus and the Department in Washington, and to handle surplus products. Regular daily mail service is provided between the Center and the Department in Washington and also for pick-up and delivery service between the various units at the Center.

INTERCHANGE OF APPROPRIATIONS

This paragraph contains authority to permit transfers, within the limitations indicated by the language thereof, between the appropriations within any bureau, division, or office. It has been carried in the bill for 30 years and constitutes an absolutely essential administrative management, especially when emergencies arise during periods when Congress is not in session. Prior to the fiscal year 1939 the limitation for such interchange was fixed at 10 per cent. In that fiscal year, this limitation was reduced to 5 per cent.

WORK FOR OTHER DEPARTMENTS

Under this item and section 601 of the Economy Act of June 30, 1932 (13 U.S.C. 686), the Department of Agriculture renders services, such as inspections, analyses, and tests of food and other products, to other Government agencies upon request, with transfer of appropriations or reimbursement to the Department of Agriculture in such amounts as may be necessary for the performance of the work. Services of the character indicated are rendered to the Army, Navy, Marine Corps, Veterans' Administration, Post Office Department, and other Government agencies. In this way the most advantageous use is made, for the benefit of the Government as a whole, of the various services which the Department of Agriculture is in position to render.

PASSENGER-CARRYING VEHICLES

This paragraph covers the maintenance, operation, and repair of passenger-carrying vehicles. Specific limitations on expenditures for purchase of such motor vehicles appear in the text pertaining to the several bureaus requiring purchase of such vehicles and are explained in connection with each separate organization. The funds are also provided under the various subject-matter appropriations involved. No funds are provided under this paragraph.

FLOOD CONTROL

(Carried in War Department Appropriation Act, for transfer to Department of Agriculture)

Funds covering preliminary examinations and surveys and the prosecution of works of improvements and measures for run-off and water-flow retardation and soil-erosion prevention on watersheds of streams for which works of improvements for the benefit of navigation and the control of destructive flood waters are authorized by law are being supplied to the Department of Agriculture by transfer of funds provided under the War Department Civil Appropriation Act, as follows:

Allotment, 1940	$3,000,000	
Budget Estimate, 1941.....	- -	(a)
Decrease.....	$3,000,000	

(a) No information available as of December 5, 1939, from the Bureau of the Budget as to the estimate for 1941.

PROJECT STATEMENT

Project	1939	1940 (Estimated)	1941 (Estimated)
1. Preliminary examinations and surveys.....	$1,497,034	$4,552,627	
1938 appropriation available in 1940.....		-49,661	
1939 appropriation available in 1940.....	+1,502,966	-1,502,966	
Total appropriation project1	$3,000,000	$3,000,000	(a)
2. Works of improvement.....	17,086	3,982,914	
1939 appropriation available in 1940.....	+3,982,914	-3,982,914	
Total appropriation for project 2.....	4,000,000	- -	(a)
Total allotments, projects 1 and 2.....	7,000,000	3,000,000	(a)

(a) 1941 Budget Estimate for Flood Control not yet available (December 5, 1939).

WORK UNDER THIS APPROPRIATION

The Flood Control Act, approved June 22, 1936, and subsequent legislation, including the Flood Control Act of 1938 (33 U.S.C. 701a - 701J) directs the War Department and the Department of Agriculture to make preliminary examinations and surveys for flood control purposes and directs the Department of Agriculture, under the supervision of the Secretary of Agriculture and in accordance with plans approved by him, to carry out works of improvements and measures of run-off and water-flow retardation and soil-erosion prevention on specific localities authorized in these Acts.

The Department of Agriculture in carrying out its flood-control program utilizes the facilities of appropriate bureaus, particularly the Soil Conservation Service, the Forest Service, and the Bureau of Agricultural Economics, in performing the necessary work, which is carried out largely in the field. The funds transferred to the Department of Agriculture for improvement works are used for work in coordination with the War Department program on watersheds where flood-control projects of the latter Department are authorized by law. In all this work, close cooperation is maintained between the field staff of the Department and the regional officials of the Corps of Engineers, United States Army. In Washington, the work of the cooperating bureaus of the Department of Agriculture is coordinated within that Department and correlated through the Office of the Secretary with the program of the Corps of Engineers, United States Army.

The flood control program of the Department of Agriculture is reviewed by the War Department Sub-Appropriations Committee in conjunction with the related program of the Army Engineers. It is also reviewed by the House Flood Control Committee, the Senate Commerce Committee, and the Senate Appropriations Committee.

FOREIGN SERVICE PAY ADJUSTMENT, APPRECIATION OF FOREIGN CURRENCIES

Out of special appropriations made to the State Department, obligations were incurred under allotments made to the Department of Agriculture for carrying into effect the provisions of the Act of March 26, 1934, authorizing annual appropriations to meet losses sustained by officers and employees of the United States in foreign countries due to the appreciation of foreign currencies in relation to the American dollar, as follows:

1939	$20,069
1940 (estimated)	9,500
1941 (estimated)	4,000

MISCELLANEOUS CONTRIBUTED FUNDS, DEPARTMENT OF AGRICULTURE

This account covers miscellaneous contributed funds received by the Department of Agriculture from States, local organizations, individuals, etc., deposited in the Treasury of the United States, and made available for carrying out various cooperative agreements. The amounts obligated thereunder during the fiscal year 1939 and estimated for 1940 and 1941 are:

1939	$121,680
1940	99,000
1941	78,500